FEDERAL REGISTER

VOLUME 6 NUMBER 132

Washington, Wednesday, July 9, 1941

The President

EXECUTIVE ORDER

AMENDING THE FOREIGN SERVICE REGULATIONS OF THE UNITED STATES

By virtue of and pursuant to the authority vested in me by section 1752 of the Revised Statutes of the United States (22 U.S.C. § 132), it is ordered that the Foreign Service Regulations of the United States be, and they are hereby, amended by prescribing the following as chapter XV thereof:

CHAPTER XV—DOCUMENTATION OF MERCHANDISE

XV–1. *Consular Duty to Enforce Compliance With Laws and Regulations of United States Relating to Documentation of Merchandise for Importation Into the United States*

Consular officers of the United States shall familiarize themselves with the provisions of laws and regulations of the United States relating to the documentation of merchandise for importation into the United States from abroad and shall require the shippers of such merchandise, or their agents, to comply with such laws and regulations before performing for them any of the services herein authorized in connection with the certification of invoices.

XV–2. *Discretionary Authority of Consular Officers To Require Power of Attorney for Agents to Sign Invoices*

Before certifying invoices signed by an agent, a consular officer may, if he deems it necessary, require that a power of attorney authorizing the agent to sign invoices be executed by the principal in the transaction and deposited in the consular office.

XV–3. *Consular Duties in Connection With the Certification of Invoices for Merchandise To Be Shipped to the United States*

Consular officers shall perform such duties in connection with the certification of invoices for merchandise to be shipped to the United States as may be required by the laws of the United States and by administrative rules and regulations prescribed by the Secretary of State.

XV–4. *Limitation on Answering Inquiries Concerning Tariff Acts and Customs Regulations*

In replying to inquiries received from exporters, travelers, or other interested parties, concerning tariff acts or customs regulations, consular officers shall refrain from giving, or appearing to give, decisions pertaining to matters upon which they are not competent to pass.

XV–5. *Duty of Consular Officers To Furnish Samples of Merchandise to Collectors of Customs or Appraising Officers*

Upon the receipt of a request therefor from a collector of customs or appraising officer of the Government of the United States, a consular officer shall procure and forward samples of merchandise being imported or offered for importation into the United States from his particular district.

XV–6. *Duty of Consular Officers To Assist Customs and Tariff Commission Representatives Abroad*

Consular officers shall render all proper assistance to Customs and Tariff Commission representatives abroad to aid them in the performance of their official duties.

Cancelation of Regulations

The following-named provisions of the Foreign Service Regulations are hereby canceled:

Part II

Chapter XXXI

Revocation of Executive Orders

The following-named Executive orders are hereby revoked:

Executive Order 4923, dated July 3, 1928

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RULES, REGULATIONS, ORDERS

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FEDERAL REGISTER

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FRANKLIN D ROOSEVELT

THE WHITE HOUSE,
July 5, 1941.

[No. 8818]

[F. R. Doc. 41-4839; Filed, July 7, 1941; 2:28 p. m.]

EXECUTIVE ORDER

EXCLUDING LAND FROM THE HUMBOLDT NATIONAL FOREST AND RESERVING IT FOR TOWNSITE PURPOSES

NEVADA

By virtue of the authority vested in me by the act of June 4, 1897, 30 Stat. 11, 36 (U.S.C., title 16, sec. 473), it is ordered that the following-described tract of public land in Nevada occupied as a townsite and identified by a survey, the plat and field notes of which are on file in the General Land Office, Washington, D. C., be, and it is hereby, excluded from the Humboldt National Forest:

East Mountain City Townsite, containing 63.41 acres, more or less, in sec. 1, T. 45 N., R. 53 E., and sec. 36 (unsurveyed), T. 46 N., R. 53 E., M. D. M.

And by virtue of the authority vested in me by section 2380 of the Revised Statutes of the United States (U.S.C., title 43, sec. 711), it is further ordered that the above-described land be, and it is hereby, reserved for townsite purposes to be disposed of in conformity with the provisions of sections 2382 to 2386, inclusive, of the Revised Statutes of the United States (U.S.C., title 43, secs. 713–717).

FRANKLIN D ROOSEVELT

THE WHITE HOUSE,
July 5, 1941.

[No. 8819]

[F. R. Doc. 41-4838; Filed, July 7, 1941; 2:28 p. m.]

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CHAPTER I—FEDERAL TRADE COMMISSION

[Docket No. 3703]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF GRAND RAPIDS EXCHANGE, INC., ETC.

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In the Matter of Grand Rapids Exchange, Inc., a Corporation, Also Trading as Denis Furniture Company

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 12th day of June, A. D. 1941.

This proceeding having been heard [1] by the Federal Trade Commission upon the complaint of the Commission and the answer of respondent, in which answer respondent admits all the material allegations of fact set forth in said complaint, and states that it waives all intervening procedure and further hearing as to said facts, and the Commission having made its findings as to the facts and conclusion that said respondent has violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent, Grand Rapids Exchange, Inc., a corporation, its officers, representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of furniture in commerce, as commerce is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the words "Grand Rapids" or "Grand Rapids Exchange", or words or terms of similar import or meaning, as a corporate or trade name or as a

[1] 4 F.R. 2265.

part of its corporate or trade name, or in any other manner, unless all furniture sold by it is manufactured in the City of Grand Rapids, Michigan;

(2) Representing, directly or indirectly, that it is the authorized agency or is the central office or headquarters for the Grand Rapids Furniture industry;

(3) Representing, directly or indirectly, that only furniture made in Grand Rapids, Michigan, is sold or distributed by it;

(4) Using the word "Factory" or otherwise representing through the use of any other word or term of similar import or meaning, or through any other means or device, or in any manner, that respondent is the manufacturer of the furniture sold by it, unless and until respondent actually owns and operates or directly and absolutely controls the plant or factory wherein such furniture is manufactured.

It is further ordered, That the respondent shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON,
Secretary.

[F. R. Doc. 41-4836; Filed, July 7, 1941; 1:06 p. m.]

[Docket No. 4210]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF PELICAN STATE CANDY COMPANY ET AL.

§ 3.99 (b) *Using or selling lottery devices—In merchandising.* In connection with offer, etc., in commerce, of candy or other merchandise, (1) selling, etc., candy or any other merchandise so packed or assembled that sales thereof to the public are to be, or may be, made by means of a game of chance, gift enterprise, or lottery scheme; (2) supplying, etc., others with push or pull cards, punchboards or other lottery devices, either with assortments of candy or other merchandise or separately, which said push or pull cards, punchboards, or other lottery devices are to be, or may be, used in selling or distributing said candy or other merchandise to the public; and (3) selling, etc., any merchandise by means of a game of chance, gift enterprise or lottery scheme; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Pelican State Candy Company et al., Docket 4210, June 18, 1941]

In the Matter of Pelican State Candy Company, a Corporation, and Max J. Pinski, Individually and as an Officer of Pelican State Candy Company and Formerly Individually and Trading as Pelican State Candy Company and Royal Chocolates.

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard [1] by the Federal Trade Commission upon the complaint of the Commission and the answer of respondents, in which answer respondents admit all the material allegations of fact set forth in said complaint, and state that they waive all intervening procedure and further hearing as to the said facts, and the Commission, having made its findings as to the facts and conclusion that said respondents have violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent, Pelican State Candy Company, its officers, and the respondent Max J. Pinski, individually, and trading as Pelican State Candy Company and Royal Chocolates, or trading under any other name or names, the representatives, agents and employees of said respondents, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of candy or any other merchandise in commerce as commerce is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Selling or distributing candy or any other merchandise so packed or assembled that sales of such candy or other merchandise to the public are to be made, or may be made, by means of a game of chance, gift enterprise or lottery scheme;

(2) Supplying to, or placing in the hands of, others push or pull cards, punchboards or other lottery devices, either with assortments of candy or other merchandise or separately, which said push or pull cards, punchboards or other lottery devices are to be used, or may be used, in selling or distributing said candy or other merchandise to the public;

(3) Selling or otherwise disposing of any merchandise by means of a game of chance, gift enterprise or lottery scheme.

It is further ordered, That the respondents shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON,
Secretary.

[F. R. Doc. 41-4837; Filed, July 7, 1941; 1:06 p. m.]

[1] 6 F.R. 1439.

[Docket No. 3983]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF THE FIRESTONE TIRE & RUBBER COMPANY, ET AL.

§ 3.6 (r) (2.5) *Advertising falsely or misleadingly — Prices — Exaggerated as regular and customary:* § 3.6 (r) (4.2) *Advertising falsely or misleadingly—Prices—List as regular selling.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, (1) using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business; and (2) representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Firestone Tire & Rubber Company, et al., Docket 3983, June 18, 1941

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, (1) any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation; and (2) that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list

prices of its higher priced tires or tubes; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Firestone Tire & Rubber Company, et al., Docket 3983, June 18, 1941]

§ 3.6 (r) (4.5) *Advertising falsely or misleadingly—Prices—Product covered:* § 3.6 (y5) *Advertising falsely or misleadingly—Sample, offer or order conformance.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Firestone Tire & Rubber Company, et al., Docket 3983, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Firestone Tire & Rubber Company, et al., Docket 3983, June 18, 1941]

In the Matter of the Firestone Tire & Rubber Company, a Corporation, and Firestone Tire & Rubber Company, a Corporation

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission and a stipulation as to the facts entered into between the respondent The Firestone Tire & Rubber Company and W. T. Kelley, Chief Counsel for the Commission, which provides, among other things, that without further evidence or other intervening procedure, the Commission may issue and serve on the respondent The Firestone Tire & Rubber Company findings as to the facts and conclusion based thereon and an order disposing of this proceeding, and the Commission having made its findings as to the facts and its conclusion that said respondent has violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent The Firestone Tire & Rubber Company, a corporation, its officers, representatives, agents and employees, directly or through any corporate or other device, in advertising in newspapers or other recognized advertising media, in connection with the offering for sale, sale and distribution of its automobile tires and tubes to the general public, in commerce, as commerce is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business.

(2) Representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business.

(3) Representing, directly or indirectly, any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation.

(4) Representing, directly or indirectly, that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of its higher priced tires or tubes.

(5) Representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand.

(6) Representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business.

It is further ordered, That the respondent shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

It is further ordered, That the complaint be, and the same hereby is, dismissed as to the respondent Firestone Tire & Rubber Company, and that the charges as stated in Paragraphs Seven, Nine, Ten and Eleven of the complaint be, and they hereby are, dismissed without prejudice to the right of the Commission to proceed thereon in the future in any appropriate manner.

By the Commission.

[SEAL] OTIS B. JOHNSON, *Secretary.*

[F. R. Doc. 41-4831; Filed, July 7, 1941; 1:03 p. m.]

[Docket No. 3984]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF THE GOODYEAR TIRE & RUBBER COMPANY, ET AL.

§ 3.6 (r) (2.5) *Advertising falsely or misleadingly — Prices — Exaggerated as regular and customary:* § 3.6 (r) (4.2) *Advertising falsely or misleadingly—Prices—List as regular selling.* In connection with offer, etc., in commerce, of respondents' automobile tires and tubes to the general public, and among other things, as in order set forth, (1) using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business; and (2) representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Goodyear Tire & Rubber Company, et al., Docket 3984, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondents' automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, (1) any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation; and (2) that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of its higher

priced tires or tubes; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Goodyear Tire & Rubber Company, et al., Docket 3984, June 18, 1941]

§ 3.6 (r) (4.5) *Advertising falsely or misleadingly—Prices—Product covered:* § 3.6 (y5) *Advertising falsely or misleadingly—Sample, offer or order conformance.* In connection with offer, etc., in commerce, of respondents' automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Goodyear Tire & Rubber Company, et al., Docket 3984, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondents' automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The Goodyear Tire & Rubber Company, et al., Docket 3984, June 18, 1941]

In the Matter of The Goodyear Tire and Rubber Company, a Corporation, and The Goodyear Tire and Rubber Company, Inc., a Corporation

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard by the Federal Trade Commission upon the amended complaint of the Commission and a stipulation as to the facts entered into between the respondents and W. T. Kelley, Chief Counsel for the Commission, which provides, among other things, that without further evidence or other intervening procedure, the Commission may issue and serve on the respondents, findings as to the facts and conclusion based thereon and an order disposing of this proceeding, and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondents The Goodyear Tire & Rubber Company, a corporation, and The Goodyear Tire & Rubber Company, Inc., a corporation, their officers, representatives, agents and employees, directly or through any corporate or other device, in advertising in newspapers or other recognized advertising media, in connection with the offering for sale, sale and distribution of their automobile tires and tubes to the general public, in commerce, as commerce is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business.

(2) Representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business.

(3) Representing, directly or indirectly, any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation.

(4) Representing, directly or indirectly, that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of its higher priced tires or tubes.

(5) Representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand.

(6) Representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business.

It is further ordered, That the respondent shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON, *Secretary.*

[F. R. Doc. 41-4832; Filed, July 7, 1941; 1:03 p. m.]

[Docket No. 3985]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF THE B. F. GOODRICH COMPANY

§ 3.6 (r) (2.5) *Advertising falsely or misleadingly — Prices — Exaggerated as regular and customary:* § 3.6 (r) (4.2) *Advertising falsely or misleadingly — Prices—List as regular selling.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, (1) using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business; and (2) representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business; prohibited. (Sec 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The B. F. Goodrich Company, Docket 3985, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, (1) any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation; and (2) that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of its higher priced tires or tubes; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The B. F. Goodrich Company, Docket 3985, June 18, 1941]

§ 3.6 (r) (4.5) *Advertising falsely or misleadingly—Prices—Product covered:* § 3.6 (y5) *Advertising falsely or misleadingly—Sample, offer or order conformance.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly,

that a specified tire or tube is offered for sale when such tire or tube is not so offered but instead another tire or tube of different kind or brand, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The B. F. Goodrich Company, Docket 3985, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, The B. F. Goodrich Company, Docket 3985, June 18, 1941]

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission and a stipulation as to the facts entered into between the respondent and W. T. Kelley, Chief Counsel for the Commission, which provides, among other things, that without further evidence or other intervening procedure the Commission may issue and serve on the respondent Findings as to the Facts and Conclusion based thereon and an order disposing of this proceeding, and the Commission having made its Findings as to the Facts and its Conclusion that said respondent has violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent, The B. F. Goodrich Company, a corporation, its officers, representatives, agents and employees, directly or through any corporate or other device, in advertising in newspapers or other recognized advertising media, in connection with the offering for sale, sale and distribution of its automobile tires and tubes to the general public, in commerce, as commerce is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business.

(2) Representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business.

(3) Representing, directly or indirectly, any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation.

(4) Representing, directly or indirectly, that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of its higher priced tires or tubes.

(5) Representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or tube is not so offered but instead another tire or tube of different kind or brand.

(6) Representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business.

It is further ordered, That the respondent shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON, *Secretary.*

[F. R. Doc. 41-4833; Filed, July 7, 1941; 1:04 p. m.]

[Docket No. 4033]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF SEARS, ROEBUCK & COMPANY

§ 3.6 (r) (2.5) *Advertising falsely or misleadingly — Prices — Exaggerated as regular and customary:* § 3.6 (r) (4.2) *Advertising falsely or misleadingly—Prices—List as regular selling.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, (1) using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business; and (2) representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes, to the general public, and among other things, as in order set forth, representing, directly or indirectly, (1) any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation; and (2) that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of higher priced tires or tubes; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (r) (4.5) *Advertising falsely or misleadingly—Prices—Product covered:* § 3.6 (y5) *Advertising falsely or misleadingly—Sample, offer or order conformance.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes, to the general public, and among other things, as in order set forth, representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that any savings or discounts are afforded a purchaser upon the purchase of its tires or tubes when such savings or discounts are computed upon prices of competitors' tires or tubes unless the prices of respondent's tires or tubes and also those of its competitors

are the regular current retail selling prices, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (n) (2) *Advertising falsely or misleadingly — Nature — Product:* § 3.6 (u) *Advertising falsely or misleadingly—Quality.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that a specified tire or tube is of a certain grade, kind or line when such tire or tube is of a different grade, kind or line, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that its tubes can be bought for a designated amount, or at a designated savings or discount, in combination with a tire or tires when the designated amounts, savings or discounts in such combination offer are not computed upon the regular retail selling prices of each item in the combination, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (b) (2) *Advertising falsely or misleadingly—Competitors and their products—Competitors' products:* § 3.48 (b) (5.5) *Disparaging competitors and their products—Goods—Prices.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that certain amounts are the prices of respondent's competitors' tires or tubes unless such amounts are the prices at which such competitors sell their tires or tubes in the ordinary and usual course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Sears, Roebuck & Company, Docket 4033, June 18, 1941]

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard by the Federal Trade Commission upon the amended complaint of the Commission, the answer of the respondent and a stipulation as to the facts entered into between the respondent and W. T. Kelley, Chief Counsel for the Commission, which provides, among other things, that without further evidence or other intervening procedure, the Commission may issue and serve upon the respondent herein findings as to the facts and conclusion based thereon and an order disposing of the proceeding, and the Commission having made its findings as to the facts and conclusion that said respondent has violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent, Sears, Roebuck & Company, a corporation, its officers, representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of its automobile tires and tubes to the general public in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, the bona fide regular established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business.

(2) Representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business.

(3) Representing, directly or indirectly, any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed on the bona fide, usual and customary selling price for such tires or such tubes in effect immediately prior in point of time to such representation.

(4) Representing, directly or indirectly, that any specified savings or discounts are offered a purchaser upon the purchase of certain of its tires or tubes when such savings or discounts are computed upon the regular selling or list prices of higher priced tires or tubes.

(5) Representing, directly or indirectly, that a specified tire or tube is offered for sale when such tire or such tube is not so offered but instead another tire or tube of different kind or brand.

(6) Representing, directly or indirectly, that any savings or discounts are afforded a purchaser upon the purchase of its tires or tubes when such savings or discounts are computed upon prices of competitors' tires or tubes unless the prices of respondent's tires or tubes and also those of its competitors are the regular current retail selling prices.

(7) Representing, directly or indirectly, that a specified tire or tube is of a certain grade, kind or line when such tire or tube is of a different grade, kind or line.

(8) Representing, directly or indirectly, that its tubes can be bought for a designated amount, or at a designated savings or discount, in combination with a tire or tires when the designated amounts, savings or discounts in such combination offer are not computed upon the regular retail selling prices of each item in the combination.

(9) Representing, directly or indirectly, that certain amounts are the prices of respondent's competitors' tires or tubes unless such amounts are the prices at which such competitors sell their tires or tubes in the ordinary and usual course of business.

(10) Representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business.

It is further ordered, That the respondent shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON, *Secretary.*

[F. R. Doc. 41-4834; Filed, July 7, 1941; 1:04 p. m.]

[Docket No. 4054]

PART 3—DIGEST OF CEASE AND DESIST ORDERS

IN THE MATTER OF WESTERN AUTO SUPPLY COMPANY

§ 3.6 (r) (2.5) *Advertising falsely or misleadingly — Prices — Exaggerated as regular and customary:* § 3.6 (r) (4.2) *Advertising falsely or misleadingly—Prices—List as regular selling.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other

things, as in order set forth, (1) using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, bona-fide regularly established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business; and (2) representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona-fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Western Auto Supply Company, Docket 4054, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, (1) any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed upon the bona-fide usual and customary selling prices for such tires or such tubes in effect immediately prior in point of time to such representation; and (2) that any savings or discounts are afforded a purchaser upon the purchase of its tires or tubes when such savings or discounts are computed upon prices of competitors' tires or tubes, unless the prices of respondent's tires or tubes and also those of its competitors' are the regular current retail selling prices; prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Western Auto Supply Company, Docket 4054, June 18, 1941]

§ 3.6 (b) (2) *Advertising falsely or misleadingly—Competitors and their products—Competitors' products:* § 3.48 (b) (5.5) *Disparaging competitors and their products—Goods—Prices.* In connection with offer, etc., in commerce of respondent's automobile tires and tubes to the general public and among other things, as in order set forth, representing, directly or indirectly, that certain amounts are the prices of respondent's competitors' tires or tubes unless such amounts are the prices at which such competitors sell their tires or tubes in the ordinary and usual course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Western Auto Supply Company, Docket 4054, June 18, 1941]

§ 3.6 (r) (6.3) *Advertising falsely or misleadingly—Prices—Savings and discounts:* § 3.72 (n) *Offering deceptive inducements to purchase—Special offers, savings and discounts.* In connection with offer, etc., in commerce, of respondent's automobile tires and tubes to the general public, and among other things, as in order set forth, representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business, prohibited. (Sec. 5, 38 Stat. 719, as amended by sec. 3, 52 Stat. 112; 15 U.S.C., Supp. IV, sec. 45b) [Cease and desist order, Western Auto Supply Company, Docket 4054, June 18, 1941]

At a regular session of the Federal Trade Commission, held at its office in the City of Washington, D. C., on the 18th day of June, A. D. 1941.

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission and a stipulation as to the facts entered into between the respondent and W. T. Kelley, Chief Counsel for the Commission, which provides, among other things, that without further evidence or other intervening procedure, the Commission may issue and serve upon the respondent herein findings as to the facts and conclusion based thereon and an order disposing of the proceeding, and the Commission having made its findings as to the facts and conclusion that said respondent has violated the provisions of the Federal Trade Commission Act;

It is ordered, That the respondent, Western Auto Supply Company, a corporation, its officers, representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of its automobile tires and tubes to the general public in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

(1) Using the term "List Price" or any other term of similar import or meaning to designate, describe or refer to prices which are not, in fact, bona-fide regularly established selling prices of the tires or tubes advertised and offered for sale, as established by the usual and customary sales in the normal course of business.

(2) Representing, directly or indirectly, that any specified amount is the customary, regular or usual price of any tire or tube advertised and offered for sale when such amount is not, in fact, the bona-fide actual selling price of such tire or such tube as established by the usual and customary sales in the normal course of business.

(3) Representing, directly or indirectly, any specified amounts or percentages as savings or discounts which are not actual savings or discounts computed upon the bona-fide usual and customary selling prices for such tires or such tubes in effect immediately prior in point of time to such representation.

(4) Representing, directly or indirectly, that any savings or discounts are afforded a purchaser upon the purchase of its tires or tubes when such savings or discounts are computed upon prices of competitors' tires or tubes, unless the prices of respondent's tires or tubes and also those of its competitors' are the regular current retail selling prices.

(5) Representing, directly or indirectly, that certain amounts are the prices of respondent's competitors' tires or tubes unless such amounts are the prices at which such competitors sell their tires or tubes in the ordinary and usual course of business.

(6) Representing, directly or indirectly, that specific savings or discounts are afforded a purchaser upon the purchase of tires or tubes when such savings or discounts do not take into account the trade-in allowances usually and customarily made to purchasers in the sale of such tires or such tubes in the ordinary course of business.

It is further ordered, That the respondent shall, within sixty (60) days after service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has complied with this order.

By the Commission.

[SEAL] OTIS B. JOHNSON, *Secretary.*

[F. R. Doc. 41-4835; Filed, July 7, 1941; 1:05 p. m.]

TITLE 24—HOUSING CREDIT

CHAPTER V—FEDERAL HOUSING ADMINISTRATION

SUBCHAPTER A—PROPERTY IMPROVEMENT LOANS

PART 501—CLASS 1 AND CLASS 2 PROPERTY IMPROVEMENT LOANS

Sec.

§ 501.1 *Citation.* The regulations in this part may be cited and referred to as "Regulations effective July 1, 1941, of the Federal Housing Administrator governing the insurance of qualified lending institutions against loss resulting from Class 1 and Class 2 loans made under the

provisions of Title I, section 2, of the National Housing Act, as amended."*

*§§ 501.1 to 501.16, inclusive, issued under the authority contained in Public, No. 111, 76th Congress (H.R. 5324), section 2, and Public No. 138, 77th Congress (H.R. 4693), section 2.

§ 501.2 *Definitions.* As used in the regulations in this part:

(a) The term "owner" includes, in addition to owners in fee, life tenants and persons holding an equity under a mortgage, trust or contract.

(b) The term "note" includes a note, bond, mortgage, or other evidence of indebtedness.

(c) The term "payment" includes a deposit to an account or fund.

(d) The term "instalment payment" includes that deposit to an account or fund which represents the partial repayment of an advance of credit.

(e) The term "loan" includes any loan, advance of credit, or purchase of an obligation representing a loan or advance of credit for the purpose of financing eligible repairs, alterations or improvements as authorized by the National Housing Act and by the regulations in this part.

(f) The term "Administrator" means the Federal Housing Administrator or his duly authorized representative.

(g) The term "borrower" means one who is an eligible owner or lessee of real property to be improved pursuant to the provisions of the Act and who applies for and receives an advance of credit in reliance upon the provisions of the Act.

(h) The term "Act" means the National Housing Act, as amended.

(i) The "Contract of Insurance" includes all of the provisions of the regulations in this part and of the applicable provisions of the Act.

(j) The term "insured institution" means any bank, trust company, personal finance company, mortgage company, building and loan association, instalment lending company or other such financial institution which the Administrator has found to be qualified by experience or facilities and has approved as eligible for credit insurance and to which he has issued a Contract of Insurance.

(k) The term "Class 1 loan" means any loan which is for the purpose of financing the repair, alteration, or improvement of an existing structure or of the real property in connection therewith, exclusive of the building of new structures.

(l) The term "Class 2 (a) loan" means any loan which is for the purpose of financing the construction of a new structure which is not to be used in whole or in part either for residential or agricultural purposes.

(m) The term "Class 2 (b) loan" means any loan which is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes.

(n) The term "Class 2 loan" includes both "Class 2 (a)" and "Class 2(b)" loans as defined in paragraphs (l) and (m) of this section.

(o) The term "Administration" means Federal Housing Administration.*

§ 501.3 *Eligible notes.* A promissory note in order to be eligible for insurance:

(a) Shall bear the genuine signature, as maker, of an owner of the real property to be improved or of a lessee thereof under a lease having a fixed term expiring not less than six calendar months after the maturity of the loan or advance of credit.

(b) Shall be in a form which is valid and enforceable in the jurisdiction in which it is issued and shall be complete and regular on its face.

(c) Shall be payable in equal monthly, semi-monthly, or weekly instalments. The final instalment may be more or less than the other instalments provided that it is not less than one-half or more than one and one-half times the preceding instalment. A note may not provide for a first payment less than six days nor more than sixty-two days from the date of the note. However, if fifty-one per cent or more of the income of the maker is derived directly from the sale of agricultural crops, commodities, or livestock produced by him, a note may be made payable in instalments corresponding to income periods shown on the credit statement. In such cases, the first payment must be made within twelve months of the date of the note and at least one payment must be made during each calendar year thereafter and the proportion of total principal to be paid in later years must not exceed the proportion of total principal payable in earlier years.

(d) Shall contain a provision for acceleration of maturity, either automatic or at the option of the holder, in the event of default in the payment of any instalment upon the due date thereof.

(e) Shall not, in the case of Class 1 or Class 2 (a) loans, have a final maturity of less than six calendar months from the date of the note or a maturity in excess of three years and thirty-two days from the date of the note, provided that Class 1 loans in excess of $2,500 may have a maturity not to exceed five years and thirty-two days from the date of the note. Shall not, in the case of Class 2 (b) loans have a maturity in excess of ten years and thirty-two days from the date of the note, provided that Class 2 (b) loans secured by a first mortgage, first deed of trust, or other security instrument constituting a first lien upon the improved property may have a final maturity not in excess of fifteen years and thirty-two days from the date of the note.

(f) May provide for a late charge, to be paid by the maker, not to exceed five cents (5¢) for each $1.00 of each instalment more than fifteen days in arrears. In lieu of late charges, notes may provide for interest on past due instalments at a rate not in excess of the contract rate in the jurisdiction in which the note is drawn. No late charge or interest on a past due instalment may be accrued in excess of $5.00. The borrower must be billed for the penalties collected as such, and evidence of such billing must be in the file if claim is made under the Contract of Insurance.

(g) May be in a series provided each is of an equal amount as provided in this section and that each note indicates on its face that it is one of a series signed by the same maker.*

§ 501.4 *Maximum loans.* (a) A Class 1 loan shall not involve a principal amount, exclusive of financing charges to the borrower, in excess of $2,500, provided that Class 1 loans made for the purpose of financing the alteration, repair, and improvement of an existing dwelling designed, or to be designed, for more than one family may have a principal amount, exclusive of financing charges to the borrower not to exceed $5,000.

(b) A Class 2 loan shall not involve a principal amount, exclusive of financing charges to the borrower, in excess of $3,000.

(c) A Class 1 or Class 2 loan shall not increase the principal amount outstanding at any one time on all Class 1, Class 2, or Class 3 loans made under Title I of the Act after July 1, 1939 with respect to any one piece of property to an amount in excess of $5,000, exclusive of financing charges to the borrower.

(d) One borrower may obtain any number of loans to improve any number of separate pieces of property, subject to the credit requirements contained in §501.6.*

§ 501.5 *Maximum permissible financing charges.* (a) The maximum permissible financing charge, exclusive of fees and charges as provided by paragraph (e) of this section, which may be paid by the borrower for interest, discount and fees of all kinds in connection with the transaction may not be in excess of an amount equivalent to $5.00 discount per $100 original face amount of a one-year note, to be paid in equal monthly instalments, calculated from the date of the note. Such charges correctly based on tables of calculations issued by the Federal Housing Administrator are deemed to comply with this section.

(b) If the insured institution in purchasing a note takes the maximum charge permitted by this section, but employs a "holdback" and does not advance the entire proceeds of the note to the seller, it shall calculate its financing charge on the amount advanced and credit to the account of the seller the difference between the financing charge calculated on the face amount of the note and the financing charge calculated on the amount advanced.

(c) The acceptance of a voluntary payment of one or more instalments prior to due date shall not be construed as increasing the maximum permissible financing charge as provided in paragraph (a) of this section. However, if the entire balance outstanding on the loan is paid in advance the insured institution must make a rebate as follows: If the maximum permissible financing charge in connection with the transaction is in an amount equivalent to $5.00 discount as provided in paragraph (a) of this section, the insured institution shall make a rebate at a rate not less than 5% per annum of the amounts so paid in advance of their due dates. If a lesser charge has been taken, the rebate shall be at not less than a proportional rate.

(d) An increase in the ratio of the charge to the average amount outstanding on the debt over the maximum provided in this section, which increase results from the first payment falling due less than thirty days after the date of the note as provided in § 501.3 (c), shall not be deemed to be in conflict with this section.

(e) If the insured institution takes security in the nature of a real estate mortgage, deed of trust, conditional sales contract, chattel mortgage, mechanic's lien, or other security device for the purpose of securing the payment of eligible loans, the insured institution may collect from the borrower, in addition to the maximum permissible financing charge as provided in paragraph (a) of this section, the following expenses actually incurred by the institution in connection with the transaction: Recording or filing fees, documentary stamp taxes, title examination charges and hazard insurance premiums, provided that such costs or expenses are not paid from the proceeds of the loan or included in the face amount of the note. Such costs or expenses shall not be included by the insured institution as a portion of a claim under the Contract of Insurance and if such costs or expenses are assessed against the borrower, proper evidence thereof should be in the file.*

§ 501.6 *Credits.* (a) The insured institution shall, prior to making an advance of credit, obtain a signed and dated Credit Statement-Application from the borrower, on a form approved by the Administrator. The Credit Statement-Application must, in the judgment of the insured institution, clearly show the borrower to be solvent with reasonable ability to pay the obligation and in other respects a reasonable credit risk.

(b) A separate Credit Statement-Application is required in connection with each loan made or note purchased.

(c) An insured institution acting in good faith may rely upon the statements of the borrower who signs the Credit Statement-Application. The Administrator does not place upon the insured institution the burden of verifying the truth of any such statements. Even if such statements are investigated after the loan is made and found to be false, this will not affect in any way the eligibility of the note for insurance. However, any borrower making false statement or misusing the funds, or any dealer, contractor, or lender who knowingly assists in such a violation, may be committing a Federal offense and will be subject to the penal provisions of the National Housing Act. In all cases where the insured institution discovers a material misstatement in the Credit Statement-Application, or misuse of the funds, it must promptly report such a discovery to the Administrator.

(d) A loan shall not be made to a borrower who is delinquent at the time the loan is made, as to either principal or interest, with respect to an obligation owing to or insured by any department or agency of the Federal Government.

(e) Any Class 1 or Class 2 loan in excess of $2,500 to any individual borrower, exclusive of financing charges, or any Class 1 or Class 2 loan which increases the amount outstanding as to all loans made under Title I of the Act after July 1, 1939, including Class 3, to any individual borrower to an amount in excess of $2,500 will be accepted only upon prior approval of the Administrator.

(f) A note shall not be purchased when any instalment thereon is delinquent more than fifteen days at the date of purchase except purchases of notes under the provisions of § 501.12.*

§ 501.7 *Eligible improvements.* (a) A loan must be for the purpose of financing eligible improvements within the United States, its Territories and Possessions, commenced on or after July 1, 1939, and prior to July 1, 1943, in reliance upon the credit facilities afforded by Title I of the National Housing Act.

(b) The proceeds of a loan shall be used only to finance alterations, repairs, and improvements upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, cyclone, flood, or other catastrophe).

(c) The proceeds of a loan shall not be used to finance the cost of completing an unfinished structure.

(d) The proceeds of a Class 1 loan shall be used only to finance the cost of alterations, repairs, and improvements upon or in connection with existing structures. The term "existing structure" means a completed building that has or had a distinctive functional use.

(e) The proceeds of Class 1 and Class 2 loans shall not be used to supplement another loan or advance of credit not reported for insurance, the payment of which is to be secured by a prior lien created in connection with proposed alterations, repairs, or improvements to an existing structure, or with the building of a new structure.

(f) The proceeds of a loan shall not be used for the purchase of land.

(g) The proceeds of a loan may be used to pay for architectural and engineering services performed in connection with eligible alterations, repairs, or improvements financed in accordance with the regulations in this part.

(h) The proceeds of a loan shall not be used for the purpose of refinancing existing obligations not previously reported for insurance.

(i) Where any doubt exists as to the eligibility of a transaction which is to be financed with an insured loan, the facts of the case should be submitted to the Administrator for a decision and ruling.*

§ 501.8 *Completion certificate; statements.* (a) An insured institution may not disburse the proceeds of a loan to one other than the borrower or the borrower and another jointly until it has first:

(1) Obtained a Completion or Installation Certificate bearing the date of signature and signed by the borrower in the following, or substantially similar, form:

BORROWER'S COMPLETION CERTIFICATE

Notice to borrower. Do not sign this Certificate until the work is satisfactorily completed.

Dated at_____
_____, 19__.

I (we) the undersigned hereby certify that all articles and materials have been furnished and installed and the work satisfactorily completed on premises at _____, in accordance with my application for a loan dated _____, pursuant to the provisions of Title I of the National Housing Act, as amended.

(Signature)_____
_____

(Insured Institution please note) The wording "Notice to borrower—Do not sign this Certificate until the work is satisfactorily completed" must be in type size at least three times the size of the next largest type appearing on the form of Borrower's Completion Certificate.)

(2) Obtained a statement bearing the date of signature and signed by the dealer, contractor, or applicator in the following, or substantially similar, form:

DEALER/CONTRACTOR/APPLICATOR STATEMENT

_____19__.

To The_____(lending institution) of
_____

In consideration of your accepting the note of_____(Name of borrower(s)) for $_____, dated_____, we (I) hereby certify that all articles and materials contracted for have been furnished and installed and the work fully completed, that the signature(s) on the note and Completion Certificate are genuine, that the Completion or Installation Certificate was signed after the articles and materials contracted for had been furnished and installed and the work fully completed.

(Signature) _____
(Name)
_____
(Title)

(3) Obtained a written authorization bearing the date of signature and signed by the borrower authorizing payment of the proceeds to the person to whom paid, in the following, or a substantially similar, form:

BORROWER'S AUTHORIZATION FORM

----------, 19--.

I (we) hereby authorize and direct the ----------(financial institution) to pay $---------- of the proceeds of my (our) note dated ----------, for $---------- to----------.

(Signature)----------

(b) For the purpose of this section, if there are two or more eligible borrowers involved in the transaction only one signature is required on the Completion Certificate or Authorization Form, provided that the signature so obtained is that of a borrower as defined by § 501.2 (g).*

§ 501.9 *Refinancing.* (a) New obligations to liquidate loans previously reported for insurance pursuant to Title I of the Act after July 1, 1939, which may or may not include an additional amount advanced will be covered by insurance, provided that:

(1) They meet the requirements of all applicable regulations;

(2) They are reported to the Administrator on the proper form within 31 days from date of execution;

(3) (i) Class 1 loans having an original principal amount exclusive of financing charges not in excess of $2,500 may be refinanced for an additional period not in excess of three years and thirty-two days from the date of the refinancing, but not to exceed five years from the date of the original note. Class 1 loans having an original principal amount exclusive of financing charges in excess of $2,500 may be refinanced for an additional period not in excess of three years and thirty-two days from the date of the refinancing, but not to exceed seven years, from the date of the original obligation.

(ii) Class 2 (a) loans may be refinanced for an additional period not to exceed three years and thirty-two days from the date of the refinancing, but not to exceed five years from the date of the original note.

(iii) Class 2 (b) loans may be refinanced for a maturity not in excess of the maximum permitted under the regulations in this part from the date of the original obligation.

(iv) If a Class 1 loan having an original principal amount, exclusive of financing charges, not in excess of $2,500, is consolidated with another Class 1 loan having an original principal amount, exclusive of financing charges, not in excess of $2,500, or with a Class 2 (a) loan, or if two or more Class 2 (a) loans are consolidated, the refinancing note may have a maturity not in excess of three years and thirty-two days from the date of the refinancing note, but not to exceed five years from the date of the earliest note, provided that if two or more Class 1 loans each having an original principal amount in excess of $2,500 are consolidated, the refinancing note may have a maturity not in excess of three years and thirty-two days from the date of the refinancing, but not to exceed seven years from the date of the earliest note.

(4) If an additional advance is made, the full unearned charge on the original note shall be refunded to the borrowers;

(5) If no additional advance is made, the full unearned charge on the original note shall be refunded to the borrower, except that a handling charge not in excess of $2.00 may be assessed to the borrower;

(6) They are evidenced by notes which meet with the requirements of § 501.3 and other applicable sections.

(b) An agreement to defer payments on a note previously reported for insurance under the regulations in this part without rewriting the note will not affect the insurance coverage on the loan provided that:

(1) Such agreement is evidenced in writing;

(2) Payments shall not be deferred for more than five months from the due date of the last fully-paid instalment;

(3) Such agreement shall not extend the final maturity of the obligation beyond the maturity date of the obligation as provided by its original terms;

(4) If the lending institution assesses the borrower for the cost of such deferment, such charge may not be in excess of an equivalent amount of late charges as provided in § 501.3 (f).*

§ 501.10 *Report of loans.* Loans shall be reported on the proper form to the Federal Housing Administration at Washington, D. C., within thirty-one days from the date of the note or date upon which it was purchased. Any loan refinanced as provided in § 501.9 shall likewise be reported on the proper form within thirty-one days from date of refinancing. In any case, the Administrator may, in his discretion, accept a late report.*

§ 501.11 *Claims.* (a) Claim for reimbursement for loss on a qualified loan shall be made as provided in this paragraph.

(1) Claim for reimbursement for loss on a qualified loan may be made to the Administrator after default on any instalment, provided demand has been made upon the debtor for the full unpaid balance.

(2) For the purpose of this paragraph, any payment received on an account, including payments on a judgment predicated thereon, shall be applied to the earliest unpaid instalment, and whenever any instalment is six months in arrears, claim shall be made within thirty-one days.

(3) In the case of yearly instalment notes, whenever an instalment is twelve months in arrears claim must be made within thirty-one days thereafter.

(4) Upon presentation to him of the facts of a particular case within the allowable claim period prescribed in this paragraph, the Administrator may, in his discretion, extend the time within which claim must be made.

(5) If at any time during default a person primarily or secondarily liable for the repayment of any loan is a "person in military service", as such term is defined in the Soldiers' and Sailors' Civil Relief Act of 1940, the period during which he is in military service shall be excluded in computing the time within which claim must be made for reimbursement under the provisions of this section.

(b) Subject to § 501.12, claim may be made only for loss sustained by the insured institution itself, and may include:

(1) Net unpaid amount of advance actually made or the actual purchase price of the note, whichever is the lesser;

(2) Uncollected earned interest (after default interest is not to be claimed at a rate to exceed 4% per annum and will be calculated to the date the claim is approved for payment);

(3) Uncollected court costs, including fees paid for issuing, serving, and filing summons;

(4) Attorney's fees not exceeding 15% of the amount collected by the attorney on the defaulted note;

(5) Handling fee of $5.00 for each loan, if judgment is secured, plus 5% of the amounts collected subsequent to return of unsatisfied property execution.

(6) An insured institution may not waive its claim against the borrower for attorney fees and subsequently call upon the Administrator for payment of such an item.

(c) Claim shall be made on a form provided by the Administrator, filled out completely and executed in duplicate by a duly qualified officer of the insured institution. If the regulations have been complied with, payment of the loss will be made on audit of the claim and upon proper assignment to the United States of America, of the note upon which the loss occurred, together with any security taken to secure payment thereof. Any security or judgment taken must be assigned and if any claim has been filed in bankruptcy, insolvency, or probate proceedings, such claim shall likewise be assigned to the United States of America.

(d) Where a real estate mortgage, deed of trust, or a conditional sales contract, chattel mortgage, mechanic's lien, or any other security device has been used to secure the payment of loans for eligible purposes, the insured institution may not both proceed against such security and also make claim under its Contract of Insurance, but shall elect which method it desires to pursue. However, an insured institution may permit the substitution of security provided it can be shown, if claim is made, that the original security value was not impaired or reduced as a result of such action. If claim is made, all security shall be assigned, in its entirety, to the United States

of America. If the security taken is non-assignable, all rights in such security shall be exhausted by the insured institution or the claim against the Administrator reduced by the full face amount of the security taken before claim will be paid by the Administrator.

(e) The following form of assignment properly dated shall be used in assigning a note, judgment, real estate mortgage, deed of trust, conditional sales contract, chattel mortgage, mechanic's lien, or any other security device in event of claim:

All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the note qualifies for insurance) to the United States of America.

_____
(Financial Institution)

By_____

Title_____

_____(date)

*

§ 501.12 *Insurance reserve.* (a) Subject to the limitation that his total liability which may be outstanding at any one time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted shall not exceed $165,000,000, the Administrator, in accordance with § 501.11, will reimburse any insured institution for losses sustained by it up to a total aggregate amount equal to 10% of the total amount advanced by it with respect to Class 1, Class 2, and Class 3 loans during the time its Contract of Insurance is in force, on all eligible obligations previously reported for insurance, taken or purchased by it on and after July 1, 1939 and held by it, or on which it remains liable.

(b) If the obligations previously reported for insurance under a Contract of Insurance issued pursuant to the National Housing Act, as amended, effective July 1, 1939, are sold to another insured institution endorsed with or without recourse, the buying and selling institutions may agree, with the prior approval of the Administrator, to transfer all or any part of the insurance reserve standing to the credit of the selling institution, to the purchasing institution. Where the parties agree to transfer an insurance reserve in excess of 10% of the actual purchase price of the obligations involved, or in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the entire insurance reserve transferred may be used to pay only those claims arising out of defaults occurring in the transferred obligations. When the obligations so transferred have all been fully paid to the purchasing institution, it shall so notify the Administrator, and any insurance reserve remaining unused shall thereupon revert to the institution from which it was originally transferred.

(c) Where the parties agree to transfer an insurance reserve not in excess of 10% of the actual purchase price of the obligations involved, or not in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the insurance reserve so transferred will be credited to the general reserve of the purchasing institution in the absence of any agreement to the contrary between the purchasing and selling institutions.

(d) The transfer of insurance reserve in cases of merger or consolidation of two or more insured institutions, or of an insured with an uninsured institution, will be provided for by the Administrator in accordance with the facts of the particular case.

(e) In all cases involving the transfer of insured obligations the reports required by § 501.10 must be filed and shall indicate the intent of the parties with regard to the transfer of the insurance reserve and, except for those cases in which the transfers are effected as provided by paragraph (b) of this section, must show that no note to be transferred is delinquent more than one calendar month at the time of such transfer.

(f) Where the notes are transferred without recourse, guarantee, or repurchase agreement and the reports do not indicate the intent of the parties, the insurance reserve will be transferred to the general reserve of the purchasing institution on the basis of 10% of the actual purchase price of the obligations involved, or 10% of the net unpaid original advance on the obligations involved, whichever is the lesser.

(g) Where the transfer of the obligations is with recourse or under a guarantee or purchase agreement and the required reports do not show the intent of the parties, no insurance reserve will be transferred.

(h) The selling price on the transfer of an insured note between insured institutions will not affect the insurance on the note. The calculation of insured loss will be based on the original transaction of the institution first reporting the loan for insurance.

(i) Where notes reported for insurance by one insured institution are pledged to another insured institution as security for a loan, an assignment of the pledging institution's insurance reserve may be made with the prior consent of the Administrator provided requests for such consent are accompanied by a signed agreement between the two institutions.

(j) Amounts which may be salvaged by the Administrator with respect to a loan in connection with which an institution has been reimbursed under its Contract of Insurance shall not be added to the insurance reserve remaining to the credit of such institution.*

§ 501.13 *Insurance charge.* (a) Insured institutions shall pay to the Administration an insurance charge equal to three-fourths of one per centum per annum of the net proceeds of any loan reported for insurance for the entire term of such loan.

(b) The insurance charge so calculated shall be paid by check or draft to the order of the Federal Housing Administration, within 25 days after the date the Administrator acknowledges receipt to the insured institution of the report of loan.

(c) When the proceeds of any loan are used to liquidate a loan reported for insurance under regulations issued subsequent to June 30, 1939, there shall be deducted from the amount of the insurance charge the pro rata share of the insurance charge paid on the original obligation.

(d) There shall not be refunded any portion of the insurance charge paid by the insured institution with respect to any loan, unless it is subsequently found to have been in whole or in part ineligible for insurance, in which event the insurance charge paid with respect to the ineligible portion of the advance shall be refunded by the Administration to the insured institution.

(e) The purchaser of an insured obligation shall not be required to pay the insurance charge provided in this section with respect to the insurance of any obligation transferred under the provisions of § 501.12 with respect to which an insurance charge has previously been paid by the seller, and no refund shall be made to the seller as to any part of the insurance charge previously paid with respect to any obligation so transferred. Any adjustments of the insurance charge paid with respect to the insurance of any obligation transferred shall be made between the purchaser and the seller.

(f) The insurance charge paid by the insured institution shall not be charged to the borrower if such charge would cause the total payments made by the borrower to exceed the maximum permissible amount which may be charged to the borrower for interest, discount, and all other charges in connection with the transaction.

(g) Subject to the other provisions of the regulations in this part, the insurance granted under Title I of the National Housing Act, as amended, shall be effective with respect to any loan from the date of the report thereof to the Administrator provided that the insurance charge with respect to such loan has been paid as required by this section.*

§ 501.14 *Administrative reports and examination.* The Administrator, in his discretion, may at any time or from time to time call for a report from any institution on the delinquency status of the obligations held by such institution and reported for insurance, or call for such reports as he may deem to be necessary in connection with the regulations in this part, or he or his authorized representative may inspect the books or accounts of the lending institution as they pertain to the loans reported for insurance.*

§ 501.15 *Amendments.* The regulations in this part may be amended by the Administrator at any time and from time to time, in whole or in part, but

such amendment shall not adversely affect the insurance privileges of an insured institution with respect to any loan made or obligation purchased prior to the issuance of such amendment.*

§ 501.16 *Effective date.* The regulations in this part are effective as to all Class 1 and Class 2 loans, advances of credit or purchases made on or after July 1, 1941, pursuant to the provisions of Title I of the National Housing Act, as amended, and shall have the same force and effect as if included in and made a part of each Contract of Insurance.*

Issued at Washington, D. C., June 28, 1941.

[SEAL] ABNER H. FERGUSON,
Federal Housing Administrator.

[F. R. Doc. 41-4842; Filed, July 7, 1941; 3:15 p. m.]

PART 502—CLASS 3 PROPERTY IMPROVEMENT LOANS

Sec.

§ 502.1 *Citation.* The regulations in this part may be cited and referred to as "Regulations effective July 1, 1941 of the Federal Housing Administrator governing the insurance of qualified lending institutions against loss resulting from Class 3 loans made under the provisions of Title I, section 2, of the National Housing Act, as amended."

*§§ 502.1 to 502.17, inclusive, issued under the authority contained in Public No. 111, 76th Congress (H.R. 5324), section 2, and Public No. 138, 77th Congress (H.R. 4693), section 2.

§ 502.2 *Definitions.* As used in the regulations in this part:

(a) The term "Act" means the National Housing Act, as amended.

(b) The term "Administration" means Federal Housing Administration.

(c) The term "Administrator" means the Federal Housing Administrator or his duly authorized representative.

(d) The term "Contract of Insurance" includes all of the provisions of the regulations in this part and of the applicable provisions of the Act.

(e) The term "insured institution" means any bank, trust company, personal finance company, mortgage company, building and loan association, instalment lending company or other such financial institution which the Administrator has found to be qualified by experience or facilities and has approved as eligible for credit insurance and to which he has issued a Contract of Insurance.

(f) The terms "loan" and "Class 3 loan" mean any loan which is for the purpose of financing the construction of a new structure to be used in whole or in part for residential purposes.

(g) The term "borrower" means one who is an eligible owner or lessee of real property upon which a new structure is to be or has been constructed pursuant to the provisions of the Act and the regulations in this part and who applies for and receives an advance of credit in reliance upon the provisions of the Act and the regulations in this part.

(h) The term "payment" includes a deposit to an account or fund.

(i) The term "instalment payment" includes that deposit to an account or fund which represents the partial repayment of an advance of credit.

(j) The term "note" includes a note, bond, mortgage, deed of trust, or other evidence of indebtedness or security instrument.

(k) The term "discount loan" means a loan made on a discount, gross charge, or non-interest-bearing basis.

(l) The term "interest bearing loan" means a loan represented by a note payable in monthly instalments bearing simple interest on the principal outstanding from time to time.

(m) The term "Class 3 structure" means a structure, the construction of which is financed with the proceeds of an eligible Class 3 loan.*

§ 502.3 *Eligible borrowers.* A borrower in order to be eligible for a Class 3 loan:

(a) Shall be (1) the fee simple owner of unencumbered land upon which the new structure is to be built or (2) the lessee of such unencumbered land under a lease from the United States Government for a term of at least six months beyond the maturity of the loan or (3) the lessee of such unencumbered land under a lease having a term of at least thirty years to run from the date of the note and providing for annual rental not in excess of 6% of the valuation placed upon the unimproved land by the insured institution and containing a provision which will entitle the lessee to obtain the fee simple title to such land upon payment at any time after one month's written notice of a sum not in excess of the amount of such annual rental multiplied by 16⅔, or (4) the lessee of such unencumbered land under a lease for not less than 99 years which is renewable.

(b) Shall establish to the satisfaction of the insured institution by certification on the Credit Statement-Application provided for in §502.6 that after the mortgage, deed of trust, or similar instrument has been recorded, the property will be free and clear of all liens other than such mortgage, deed of trust, or similar instrument, except taxes and ground rents not due and payable and special assessments not in arrears, and that in addition to the loan he has an investment in the property in cash, in land, or an interest in the land in an amount equal to 5% of the appraised value of the completed property as determined under § 502.9 (a).

(c) Shall meet with the credit requirements set forth in § 502.6.*

§ 502.4 *Eligible improvements.* (a) A loan must be for the purpose of financing the construction of a Class 3 structure and appurtenances thereto which conforms with the minimum construction requirements and property standards prescribed by the Administrator and which is approved by the Administrator as to architectural design, physical characteristics, and location, and which is within the United States, its Territories and Possessions, and which is commenced on or after July 1, 1939 and prior to July 1, 1943, in reliance upon the credit facilities afforded by Title I of the National Housing Act as amended.

(b) The proceeds of a loan shall not be used to finance the cost of completing an unfinished structure, unless the unfinished structure was begun under a Class 3 loan, in which case the total of all loans shall not exceed $3,000.

(c) The proceeds of a loan shall not be used to supplement another loan or advance of credit not reported for insurance.

(d) The proceeds of a loan may be used to pay for architectural and engineering services and builders' profit in connection with the building of new structures financed in accordance with the regulations in this part.

(e) The proceeds of a loan shall not be used for the purpose of refinancing existing obligations not previously made or reported for insurance pursuant to the regulations in this part.

(f) Where any doubt exists as to the eligibility of a transaction which is to be financed with an insured loan, the facts of the case should be submitted to the Administrator for a decision and ruling.*

§ 502.5 *Maximum loan.* (a) The amount of advance actually made to the borrower on any loan shall not be in excess of $3,000.

(b) No such loan shall increase the principal amount outstanding at any one time on all loans made under Title I of the National Housing Act after July 1, 1939, with respect to any one structure or piece of property to an amount, in excess of $3,000.

(c) One borrower may obtain any number of loans to improve any number of separate pieces of property, subject to the credit requirements contained in § 502.6.*

§ 502.6 *Credits.* (a) The insured institution shall obtain a signed and dated Credit Statement-Application from the

borrower on a form approved by the Administrator. The Credit Statement-Application must, in the judgment of the insured institution, clearly show the borrower to be solvent with reasonable ability to pay the obligation and in other respects a reasonable credit risk.

(b) A separate Credit Statement-Application is required in connection with each loan made or note purchased.

(c) An insured institution acting in good faith may rely upon the statements of the borrower who signs the Credit Statement-Application. The Administrator does not place upon the insured institution the burden of verifying the truth of any such statements. Even if such statements are investigated after the loan is made and found to be false, this will not affect in any way the eligibility of the note for insurance. However, any borrower making such false statements or misusing the funds, or any dealer, contractor, or lender who knowingly assists in such a violation, may be committing a Federal offense and will be subject to the penal provisions of the National Housing Act. In all cases where the insured institution discovers a material misstatement in the Credit Statement-Application or misuse of the funds, it must promptly report such a discovery to the Administrator.

(d) A loan shall not be made if the records of the lender or the Credit Statement-Application indicate that the borrower is delinquent as to either principal or interest, with respect to an obligation owing to or insured by any Department or agency of the Federal Government.*

§ 502.7 *Eligible interest-bearing loans.* (a) In order to be eligible for insurance an interest-bearing loan shall be secured by collateral security in the form of a duly recorded first mortgage, first deed of trust, or similar instrument which constitutes a first lien upon a fee simple or lease-hold interest in the land and buildings, appurtenances, and improvements thereon and which:

(1) Is in a form approved by the Administrator for use in the jurisdiction in which the property covered by the mortgage, deed of trust, or similar instrument is situated and involves a principal amount not in excess of $3,000.

(2) Shall provide for interest at such rate as may be agreed upon between the borrower and the insured institution but in no case shall such interest be in excess of 4½% per annum on the outstanding principal. Interest and principal shall be payable in monthly instalments (or other periodic instalments as provided in subparagraph (11) of this paragraph. In the event interest is payable in instalments corresponding to the income periods shown on the Credit Statement-Application, such interest payments may be required in advance for each such instalment period). The mortgage may provide that the borrower shall pay in addition to interest an annual service charge at such rate as may be agreed upon between the borrower and the insured institution but in no case shall such service charge exceed one-half of 1 per cent per annum on the outstanding balances. Any such service charge shall be payable on the instalment-payment dates.

(3) May provide for payments by the borrower to the insured institution on each instalment payment date of an amount equal to the annual insurance charge payable by the insured institution to the Administrator, divided by the number of instalment payment dates to elapse prior to the date such charge is due and payable to the Administrator.

(4) Shall provide for such equal payments by the borrower to the insured institution on each instalment payment date as will amortize the ground rents, if any, and the estimated amount of all taxes, special assessments, if any, and fire and other hazard insurance premiums, within a period ending one month prior to the date on which same become delinquent. The note shall further provide that such payments shall be held by the lending institution in a manner satisfactory to the Administrator for the purpose of paying such ground rents, taxes, assessments, and insurance premiums before the same become delinquent for the benefit and account of the borrower. The note shall also make provision for adjustments in case the estimated amount of such taxes, assessments, and insurance premiums should prove to be more or less than the actual amount thereof so paid by the insured institution.

(5) The note shall contain a privilege of prepayment in full or in amounts equal to one or more instalment payments on the principal that are next due on the note at any interest payment date upon thirty days' prior notice and without premium or penalty.

(6) Shall provide that all instalment payments to be made by the borrower to the insured institution shall be added together and the aggregate amount thereof shall be applied to the following items in the order set forth.

(i) Insurance charges due the Federal Housing Administrator.

(ii) Service charge, if any.

(iii) Ground rents, taxes, special assessments, and fire and other hazard insurance premiums.

(iv) Interest on the loan.

(v) Amortization of the principal of the loan.

(7) May provide for a late charge to be paid by the borrower, not to exceed two cents (2¢) for each dollar for each instalment payment more than fifteen days in arrears. No late charge may be accrued in excess of $5.00. The borrower must be billed for the penalties collected as such, and evidence of such billing must be in the file if claim is made under the Contract of Insurance.

(8) Shall contain a provision for acceleration of maturity at the option of the holder in the event of default.

(9) Shall not have a final maturity in excess of fifteen years and five calendar months.

(10) Shall provide for not more than one hundred and eighty monthly payments which shall fall due on the first day of a month and the first such payment shall fall due not less than six days nor more than six calendar months from the date of the note, except as provided in subparagraph 11 of this paragraph.

(11) In instances in which the Credit Statement-Application of the borrower indicates that not less than 51% of the income of the borrower is derived directly from the sale of agricultural crops, commodities or livestock produced by him, the note may provide, in lieu of monthly instalments, for substantially equal instalment payments corresponding to the income periods shown on the Credit Statement-Application: *Provided, however,* That the first payment must be within twelve months of the date of the note and that at least one payment must be made during each calendar year thereafter.

(b) The borrower must pay to the insured institution, upon the execution of the note, a sum that will be sufficient to pay premiums on fire and other insurance required by the insured institution pursuant to the terms of the note, and ground rents, if any, and estimated taxes, special assessments, drainage, and irrigation charges applicable to the period beginning on the date to which such ground rents, taxes, assessments, and charges were last paid and ending on the date of the first periodic payment under the note. The borrower, at such time, may also be required to pay a sum equal to the first annual insurance charge plus an amount equal to one-twelfth (1/12) of the annual insurance charge multiplied by the number of months to elapse from the date of the closing of the loan to the date of the first periodic payment, and if the note provides for payment of interest in advance, interest to the due date of the first periodic payment thereunder. The insured institution may charge the borrower the $10.00 paid to the Administration for examining the loan and an initial service charge in an amount sufficient to reimburse the insured institution for the cost of closing the transaction, including appraisal fees but in no case shall the amount of such service charge be in excess of 1% of the original principal amount of the loan.

(c) In addition to the charges hereinbefore mentioned, the insured institution may collect from the borrower only recording fees and such costs of title search as are customary in the community.*

§ 502.8 *Eligible "discount" loans.* (a) A "discount" loan shall be secured by collateral security in the form of a duly recorded first mortgage, first deed of trust or other similar instrument which constitutes a first lien upon a fee simple or leasehold interest in the land and

buildings, appurtenances, and improvements thereon and:

(1) Shall not be in excess of $3,000 exclusive of financing charges to the borrower.

(2) Shall not have a maturity in excess of fifteen years and five calendar months.

(3) May provide for a maximum financing charge to be paid by the borrower for interest, discount, and fees of all kinds, other than those referred to in subparagraph (4) of this paragraph and paragraphs (b) and (c) of this section, in connection with the transaction not in excess of an amount equivalent to $3.50 discount per $100 original face amount of a one-year note to be paid in equal monthly instalments calculated from the date of the note. Such charges correctly based on tables of calculations issued by the Federal Housing Administrator are deemed to comply with this section. The acceptance of a voluntary payment of one or more instalments prior to due date shall not be construed as increasing the maximum permissible financing charge as provided in this subparagraph. However, if the entire loan is paid in advance, the insured institution shall make a rebate of the entire unearned financing charge.

(4) May provide for such equal monthly payments by the borrower to the insured institution as will amortize the ground rents, if any, and the estimated amount of all taxes, special assessments, if any, and fire and other hazard insurance premiums within a period ending one month prior to the date on which same becomes delinquent. In such event the note shall further provide that such payments shall be held by the insured institution in a manner satisfactory to the Administrator for the purpose of paying such ground rents, taxes, assessments, and insurance premiums before the same become delinquent for the benefit and account of the borrower and shall also make provision for adjustments in case the estimated amount of such taxes, assessments, and insurance premiums shall prove to be more or less than the actual amount thereof so paid by the borrower. If the income of the borrower is derived from the sale of agricultural crops, commodities, or livestock, payments may be seasonal as provided in subparagraph (7) of this paragraph.

(5) May provide for a late charge, to be paid by the maker, not to exceed two cents (2¢) for each dollar of each instalment more than fifteen days in arrears. In lieu of late charges, notes may provide for interest on past due instalments at a rate not in excess of the contract rate in the jurisdiction in which the note is drawn. No late charge or interest on a past due instalment may be accrued in excess of $5.00. The borrower must be billed for the penalties collected as such, and evidence of such billing must be in the file if claim is made under the Contract of Insurance.

(6) May not provide for a first payment less than six days nor more than six calendar months from the date of the note except as provided in subparagraph (7) of this paragraph and in no case shall provide for more than one hundred and eighty payments.

(7) May be made payable in instalments corresponding to the income periods shown on the Credit Statement-Application if fifty-one per cent or more of the income of the borrower is derived directly from the sale of agricultural crops, commodities, or livestock produced by him. In such cases, the first payment must be made within twelve months of the date of the note and at least one payment must be made during each calendar year thereafter and the proportion of total principal to be paid in later years must not exceed the proportion of total principal payable in earlier years.

(8) Shall contain a provision for acceleration of maturity either automatic or at the option of the holder, in the event of default in the payment of any instalment.

(b) In addition to the maximum permissible financing charge which may be paid by the borrower in connection with a Class 3 loan as provided in paragraph (a) (3) of this section, the following allowable costs or expenses if incurred by the insured institution in connection with the transaction may be collected from the borrower, provided such costs or expenses are not paid from the net proceeds advanced to the borrower:

(1) Recording fees.

(2) Title examination fees.

(3) Fire and other hazard insurance premiums.

(4) The $10.00 paid to the Administration for examining the loan.

(5) An initial service charge in an amount sufficient to reimburse the insured institution for the cost of closing the transaction provided that no such service charge shall exceed one per centum of the original net proceeds of the loan.

(c) The borrower may be required to pay to the insured institution upon the closing of the loan a sum that will be sufficient to pay the ground rents, if any, and the estimated taxes, special assessments, and fire and other hazard insurance premiums for the period beginning on the date to which such ground rents, taxes, assessments, and insurance premiums were last paid and ending on the date of the first monthly payment under the loan to be held by the insured institution for the purpose of paying such ground rents, taxes, assessments, and insurance premiums before the same become delinquent for the benefit and account of the borrower.*

§ 502.9 *Loan procedure.* (a) Prior to the start of construction and to the disbursement of any portion of the proceeds of the loan, the insured institution shall make an estimate of the value of the property assuming completion of the proposed improvements and shall certify to the local insuring office the amount of such appraisal and that the requirements of § 502.3 (b) will be complied with. However, if the insured institution is an approved mortgagee under the provisions of Title II of the Act and requests the Administrator to determine the eligibility of the property for insurance of a mortgage loan under the provisions of section 203 of Title II of the Act, it may accept the value estimate of the Administrator as its own in the event it subsequently decides to make a loan under the provisions of the regulations in this part.

(b) Prior to the start of construction and to the disbursement of any portion of the proceeds of the loan, the insured institution shall submit to the Administrator an Application for Property Approval on a form prescribed by the Administrator. Such application shall be accompanied by the certificate provided for in paragraph (a) of this section, the plans or drawing and specifications, and the insured institution's check made payable to the Federal Housing Administration in the sum of $10.00.

(c) After obtaining the approval of the application by the Administrator and prior to disbursing the proceeds of the loan or any portion thereof to the mortgagor or to a creditor for his account, the institution shall satisfy itself that the value of the work done and materials on the site at the time of any progress payment is equal to at least 110% of such payment, plus all such progress payments theretofore made. The insured institution shall not make a disbursement or progress payment to the mortgagor or to a creditor for his account which would increase the total amount disbursed to a sum in excess of 80 per centum of the proceeds of the loan until it has been notified that the final inspection by the Administrator has been made and the work approved. No disbursement of any portion of the proceeds shall be made subsequent to receipt of written notice from the Administrator by the insured institution to the effect that the structure has not been constructed in accordance with the plans and specifications and conditions as approved by the Administrator. Whenever it appears to the satisfaction of the insured institution that completion of the work will be temporarily delayed due to inclement weather, non-availability of material, or other reasons beyond the control of the builder, it may disburse the entire balance remaining of the loan proceeds after deducting and retaining therefrom twice the amount deemed necessary to complete the work. This retained balance shall not be disbursed until after the work has been inspected and approved by the Administrator.

(d) The approval of the Administrator provided for in this section shall not relieve the insured institution from compliance with any section.

(e) In the event that property covered by a loan is sold to an eligible borrower who assumes and agrees to pay the

debt and whose credit is satisfactory to the insured institution, the seller may be released by the insured institution from his obligation upon notice thereof to the Administrator.

(f) Loans shall be reported on the proper form to the Federal Housing Administration at Washington, D. C., within thirty-one days of the first disbursement of any of the proceeds of the loan or the date upon which it was purchased. Any loan refinanced in accordance with § 502.10 shall be reported on the proper form within thirty-one days from the date of the refinancing. In any case, the Administrator may in his discretion accept a late report.*

§ 502.10 *Refinancing.* New Obligations to Liquidate Loans Previously Reported for Insurance Pursuant to Title I of the Act after July 1, 1939, which may or may not include an additional amount advanced will be covered by insurance, provided that:

(a) They meet the requirements of all applicable regulations;

(b) They are reported to the Administrator on the proper form within 31 days from the date of execution;

(c) They have a maturity not in excess of the maximum permitted under the regulations in this part from the date of the original obligation;

(d) If an additional advance is made, the full unearned charge on the original note shall be refunded to the borrower;

(e) If no additional advance is made, the full unearned charge on the original note shall be refunded to the borrower, except that a handling charge not in excess of $2.00 may be assessed to the borrower.*

§ 502.11 *Claims.* Claim for reimbursement for loss on a qualified loan shall be made as provided in this section.

(a) If the borrower fails to make any payment, or to perform any other covenant or obligation under the mortgage, and such failure continues for a period of thirty (30) days, the note shall be considered in default, and the insured institution shall, within sixty (60) days thereafter, give notice in writing to the Administrator of such default, unless such default has been cured or unless the Administrator has been notified of a previous default which remains uncured.

(b) At any time within one year from the date of default the insured institution, at its election, shall either:

(1) Acquire by means other than foreclosure of the mortgage, possession of, and title to, the mortgaged property; or

(2) Commence foreclosure of the mortgage: *Provided,* That if the laws of the State in which the mortgaged property is situated do not permit the commencement of such foreclosure within such period of time, the insured institution shall commence such foreclosure within sixty (60) days after the expiration of the time during which such foreclosure is prohibited by such laws.

(3) Nothing herein contained shall be construed so as to prevent the lending institution, with the written consent of the Administrator, from taking action at a later date than herein specified.

(4) If at any time during default the mortgagor is a "person in military service", as such term is defined in the Soldiers' and Sailors' Civil Relief Act of 1940, the period during which he is in such service shall be excluded in computing the one year period within which the mortgage shall commence foreclosure or acquire the property by other means as provided in this Section.

For the purpose of this paragraph, the date of default shall be considered as thirty (30) days after (i) the first uncorrected failure to perform a covenant or obligation, or (ii) the first failure to make a monthly payment which subsequent payments by the mortgagor are insufficient to cover when applied to the overdue monthly payments in the order in which they became due.

(c) If after default and prior to the completion of foreclosure proceedings the borrower shall pay to the insured institution all monthly payments in default and such expenses as the insured institution shall have incurred in connection with the foreclosure proceedings, no claim for reimbursement under the Contract of Insurance can be made and the insurance shall continue as if such default had not occurred.

(d) If the default is not cured as aforesaid, and if the insured institution has otherwise complied with the provisions of this section, it may at any time within seven months or such further time as may be approved by the Administrator, after acquiring title to and possession of the mortgaged property, tender to the Administrator possession thereof, and a deed containing a covenant which warrants against the acts of the insured institution and all claiming by, through, or under it, conveying good merchantable title to such property undamaged by fire, earthquake, flood, or tornado. The Administrator shall promptly accept conveyance of such property and, subject to § 502.13, make payment of loss sustained by the insured institution as follows:

(1) The net unpaid balance of advance actually made;

(2) Uncollected earned interest (after default interest is not to be claimed at a rate to exceed 4% per annum for the first six months nor thereafter to exceed 3% per annum and will be calculated to the date the claim is approved for payment);

(3) Actual expenses incurred by the insured institution and approved by the Administrator in connection with the foreclosure proceedings or the acquisition of the mortgaged property otherwise, and the conveyance thereof to the Administrator up to but not to exceed $75.00;

(4) The amount of all payments which have been made by the insured institution for taxes, ground rents, special assessments, and water rates which are liens prior to the mortgage, and fire and hazard insurance premiums.

Any amount received by the insured institution from any source relating to the property on account of rent or other income, after deducting reasonable expenses incurred in handling the property, shall be deducted from the sum of the foregoing.

(e) Evidence of title of the following types will be satisfactory to the Administrator:

(1) A fee or owner's policy of title insurance, a guaranty or guarantee of title, or a certificate of title, issued by a title company, duly authorized by law and qualified by experience to issue such; or

(2) An abstract of title prepared by an abstract company or individual engaged in the business of preparing abstracts of title and accompanied by a legal opinion as to the quality of such title signed by an attorney at law experienced in examination of titles; or

(3) A Torrens or similar title certificate; or

(4) Evidence of title conforming to the standards of a supervising branch of the Government of the United States or of any State or Territory thereof.

Such evidence of title shall be furnished without cost to the Administrator and shall be executed as of a date to include the recordation of the deed to the Administrator, and shall show that, according to the public records, there are not, at such date, any outstanding prior liens, except for ground rents and taxes not due and payable and special assessments not in arrears. If the title and title evidence are such as to be acceptable to prudent lending institutions and leading attorneys generally in the community in which the property is situated, such title and title evidence will be satisfactory to the Administrator and will be considered by him as good and merchantable.

(f) The Administrator will not object to the title by reason of the following matters, provided they are not such as to impair the value of the property for residence purposes:

(1) Customary easements for public utilities, party walls, driveways and other purposes; customary building or use restrictions for breach of which there is no reversion and which have not been violated to a material extent;

(2) Such restrictions when coupled with a reversionary clause, provided there has been no violation prior to the date of the deed to the Administrator;

(3) Slight encroachments by adjoining improvements;

(4) Outstanding oil, water, or mineral rights, which do not impair the value of the property for residence purposes, or which are customarily waived by prudent lending institutions and leading attorneys generally in the community.

(g) In lieu of the procedure provided for in paragraphs (d) and (e) of this

section, the insured institution, after acquiring title to the property as provided in this section, may, at its option, sell the same in the open market to a bona fide third party at any time within six months from the date of such acquisition of the property, or within such further time as may be approved by the Administrator; provided that such property may not, without the prior approval of the Administrator, be sold for a price less than 75 per cent of the net unpaid balance of the advance actually made. The net amount received at such sale, whether in cash or deferred payments, shall be credited on the obligation and claim may be filed with the Administrator for the balance. Payment of loss sustained by the insured institution shall be made as follows:

(1) The net unpaid balance of the advance actually made. In calculating the net unpaid amount, the net sale price must be included as a credit.

(2) Uncollected earned interest. (After default and prior to acquisition of the property by the insured institution interest is not to be claimed at a rate to exceed 4% per annum for the first six months nor thereafter to exceed 3% per annum. Subsequent to the acquisition of the property by the insured institution interest shall not be claimed at a rate to exceed 3% per annum.)

(3) Actual expenses incurred by the lending institution and approved by the Administrator in connection with foreclosure proceedings, or acquisition of the property otherwise, up to but not exceeding $75.00.

(4) The amount of all payments which have been made by the insured institution for taxes, ground rents, special assessments, water rates which are liens prior to the mortgage, fire and hazard insurance premiums, and cost of maintenance and repair of the property (claim for cost of maintenance and repair shall not exceed 10% of the net unpaid balance of the advance actually made unless prior approval of the Administrator has been obtained).

Any amount received by the insured institution from any source relating to the property on account of rent or other income shall be deducted from the sum of the items referred to in this subparagraph.*

§ 502.12 *Insurance charge.* (a) Insured institutions shall pay to the Administration an insurance charge equal to one-half of one per centum per annum of the net proceeds of any discount loans reported for insurance and an annual insurance charge equal to one-half of one per centum of the original principal amount of any interest-bearing loans reported for insurance.

(b) The first annual insurance charge so calculated shall be paid by check or draft to the order of the Federal Housing Administration within 25 days after the date the Administration acknowledges receipt to the insured institution of the report of any such loan and the next and each succeeding annual insurance charge shall be paid in advance upon the anniversary of the first day of the month following the date of the note until the loan is paid in full or claim is filed with the Administrator under the Contract of Insurance.

(c) In the event the loan is paid in full prior to maturity or is foreclosed or the possession of and title to the property is otherwise acquired by the insured institution, the insured institution shall within 30 days thereafter notify the Administration of the date of prepayment, foreclosure, or acquisition, after which its obligation to pay future annual insurance charges in connection therewith shall cease but it shall not be entitled to a refund of any portion of an annual insurance charge previously paid or a reduction in the amount of any insurance charge, which fell due prior to such prepayment, foreclosure, or acquisition of the property.

(d) When the proceeds of any loan are used to liquidate a loan previously reported for insurance, there shall be deducted from the amount of the insurance charge payable the first year the pro rata share of the annual insurance charge paid on the original obligation.

(e) The purchaser of an obligation previously reported for insurance shall pay each succeeding annual insurance charge as provided in paragraph (b) of this section. Any adjustment of the insurance charge paid in advance by the seller shall be made between the purchaser and the seller.

(f) The insurance charge paid by the insured institution shall not be charged to the borrower if such charge would cause the total payments made by the borrower to exceed the maximum permissible amount which may be charged to the borrower for interest, discount, and all other charges in connection with the transaction, except as provided in §§ 502.7 and 502.8.

(g) Subject to the other provisions of the regulations in this part, the insurance granted under Title I of the National Housing Act, as amended, shall be effective with respect to any loan from the date of the report thereof to the Administrator: *Provided,* That the insurance charge with respect to such loan is paid as required by this section.*

§ 502.13 *Insurance reserve.* (a) Subject to the limitation that his total liability which may be outstanding at any one time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted shall not exceed $165,000,000, the Administrator, in accordance with § 502.11, will reimburse any insured institution for losses sustained by it up to a total aggregate amount equal to 10% of the total amount advanced with respect to Class 1, Class 2, and Class 3 loans during the time its Contract of Insurance is in force, on all eligible obligations previously reported for insurance, taken or purchased by it on and after July 1, 1939, and held by it, or on which it remains liable.

(b) If obligations previously reported for insurance under Contracts of Insurance issued pursuant to the National Housing Act, as amended, effective July 1, 1939, are sold to another insured institution endorsed with or without recourse, the buying and selling institution may agree to transfer all or any part of the insurance reserve standing to the credit of the selling institution to the purchasing institution with the prior approval of the Administrator under such terms and conditions as he may prescribe.

(c) The transfer of insurance reserve in cases of merger or consolidation of two or more insured institutions, or of an insured with an uninsured institution, will be provided for by the Administrator in accordance with the facts of the particular case.

(d) In all cases involving the transfer of insured obligations, the reports required by § 502.9 (f) must be filed and shall indicate the intent of the parties with regard to the transfer of the insurance reserve and, except for those cases in which the transfers are effected as provided for by paragraph (b) of this section, must show that no note to be transferred is delinquent more than one calendar month at the time of such transfer.

(e) Where the notes are transferred without recourse, guarantee, or repurchase agreement and the reports do not indicate the intent of the parties, the insurance reserve will be transferred to the general reserve of the purchasing institution on the basis of 10% of the actual purchase price of the obligations involved, or 10% of the net unpaid original advance on the obligations involved, whichever is the lesser.

(f) Where the transfer of the obligation is with recourse or under a guarantee or repurchase agreement and the required reports do not show the intent of the parties, no insurance reserve will be transferred.

(g) The selling price on the transfer of an insured note between insured institutions will not affect the insurance on the note. The calculation of insured loss will be based on the original transaction of the institution first reporting the loan for insurance.

(h) Where notes reported for insurance by one insured institution are pledged to another insured institution as security for a loan, an assignment of the pledging institution's insurance reserve may be made with the prior consent of the Administrator provided requests for such consent are accompanied by a signed agreement between the two institutions.

(i) Amounts which may be salvaged by the Administrator with respect to a loan in connection with which an institution has been reimbursed under its Contract of Insurance shall not be added

to the insurance reserve remaining to the credit of such institution.

(j) If at any time a Class 3 loan previously reported for insurance is converted into an insured mortgage under the provisions of Title II of the Act, upon report of the conversion to the Administrator, there shall be deducted from the insurance reserve outstanding to the credit of the insured institution an amount equal to 10% of the net unpaid principal of the loan as of the date of conversion.*

§ 502.14 *Privileges extended to loans reported for insurance under previous regulations.* (a) At its option an insured institution may extend or renew, for a period up to fifteen years from its original date, any Class 3 loan made prior to the effective date of the regulations in this part and heretofore or hereafter reported for insurance under the Acts of February 3, 1938, or June 3, 1939, amending the National Housing Act, and the unpaid balance of any such loan shall be so amortized as to be fully paid at the end of said fifteen year term: *Provided*, That all such loans are secured by collateral security in the form of a duly recorded first mortgage, first deed of trust or similar instrument which constitutes a first lien upon a fee simple or leasehold interest in the land and buildings, appurtenances and improvements thereon.

(b) In the event the property covered by a loan made prior to the effective date of the regulations in this part and heretofore or hereafter reported for insurance under the Acts of February 3, 1938, or June 3, 1939, is sold to an eligible borrower who assumes and agrees to pay the debt and whose credit is satisfactory to the insured institution, the seller may be released by the insured institution from his obligation upon notice thereof to the Administrator: *Provided*, That all such loans are secured by collateral security in the form of a duly recorded first mortgage, first deed of trust or similar instrument which constitutes a first lien upon a fee simple or leasehold interest in the land and building, appurtenances and improvements thereon.

(c) In the case of any loan made on or after July 1, 1939, the insured institution at its option may acquire title to the property and dispose of such property as provided in § 502.11, whereupon such loan shall be subject to all the applicable provisions of the regulations in this part.

(d) In the event any loan made on or after July 1, 1939, is paid in full or the property is acquired by the lending institution as set forth in § 502.11 or in the event the insurance with respect to the loan is terminated, no additional insurance charge with respect to such loans shall be payable.

(e) In the case of any loan made on or after July 1, 1939, the insurance charge may be paid by check or draft to the order of the Federal Housing Administration annually in advance as provided in § 502.12 (b).*

§ 502.15 *Administrative reports and examination.* The Administrator, in his discretion, may at any time or from time to time call for a report from any institution on the delinquency status of the obligations held by such institution and reported for insurance, or call for such reports as he may deem to be necessary in connection with the regulations in this part, or he or his authorized representative may inspect the books or accounts of the lending institution as they pertain to the loans reported for insurance.*

§ 502.16 *Amendments.* The regulations in this part may be amended by the Administrator at any time and from time to time, in whole or in part, but such amendment shall not adversely affect the insurance with respect to any loan made or obligation purchased prior to the issuance of such amendment.*

§ 502.17 *Effective date.* The regulations in this part are effective as to all Class 3 loans, advances of credit or purchases made on or after July 1, 1941 pursuant to the provisions of Title I of the National Housing Act, as amended, and shall have the same force and effect as if included in and made a part of each Contract of Insurance.*

Issued at Washington, D. C., July 28, 1941.

[SEAL] ABNER H. FERGUSON,
Federal Housing Administrator.

[F. R. Doc. 41-4841; Filed, July 7, 1941; 3:15 p. m.]

SUBCHAPTER C—MUTUAL MORTGAGE INSURANCE

PART 521—ADMINISTRATIVE RULES FOR MUTUAL MORTGAGE INSURANCE

APPROVAL OF MORTGAGEES

APPLICATION AND COMMITMENT

ELIGIBLE MORTGAGES

ELIGIBLE MORTGAGORS

ELIGIBLE PROPERTIES

Approval of Mortgagees

§ 521.1 *Governmental institutions approved as mortgagees.* The following institutions are hereby approved as mortgagees under section 203 (b) of the National Housing Act:

(a) National Mortgage Associations,
(b) Federal Reserve Banks,
(c) Federal Home Loan Banks,
(d) Reconstruction Finance Corporation,
(e) RFC Mortgage Company, and
(f) any other Federal, State, or municipal governmental agency that is or may hereafter be empowered to hold mortgages insured under Title II of the National Housing Act as security or as collateral or for any other purpose.*

*§§ 521.1 to 521.36, inclusive, issued under the authority contained in sec. 211, as added by sec. 3, 52 Stat. 23; 12 U.S.C., Sup., 1715b.

§ 521.2 *Federal Reserve members, other institutions.* Members of the Federal Reserve System, institutions whose accounts are insured by the Federal Savings and Loan Insurance Corporation and institutions whose deposits are insured by the Federal Deposit Insurance Corporation may be approved as mortgagees upon application.*

§ 521.3 *Charitable or nonprofit organizations.* Any charitable or nonprofit organization which presents evidence that it is responsible, has permanent funds of not less than $100,000, and has experience in mortgage investment, may be approved upon application.*

§ 521.4 *Approval of other institutions.* Any other institution not hereinbefore mentioned may be approved as a mortgagee upon application if it has the following qualifications and meets the following conditions to the satisfaction of the Administrator:

(a) it is a chartered institution or other permanent organization having succession;

(b) it is subject to the inspection and supervision of a governmental agency which is required by law to make periodic examinations of its books and accounts and it submits satisfactory evidence that it has sound capital funds of a value of not less than $25,000 (or if a mutual company or association without capital funds, it has a net worth of not less than $25,000); or

if not subject to such inspection and supervision of a governmental agency it shall submit a detailed audit of its books made by an accountant satisfactory to the Administrator and reflecting a condition satisfactory to him, and also, so long as its approval as mortgagee continues, shall file with the Administrator similar audits at least once in each calendar year and submit at any time to such examination of its books and affairs as the Administrator may require, and comply with any other conditions that the Administrator may impose;

(c) its principal activity is lending on or investing in mortgages, funds which are under its own control; and it has sound capital funds properly proportioned to its liabilities and to the character and extent of its operations. Such funds shall be of a value of not less than $100,000. It is provided that the qualification and condition contained in the preceding sentence shall not apply (1) to an institution or other permanent organization of the character described in the first division of paragraph (b) above; or

(2) to an institution or other permanent organization that establishes to the satisfaction of the Administrator that it is a duly authorized loan correspondent of, and whose approval is requested by, an approved mortgagee or assignee which lends on, or invests in, mortgages on a national scale and is subject to the inspection and supervision of a governmental agency, on the condition that the termination of its relationship as such correspondent will be cause (subject to the provisions of § 521.6) for withdrawal of its approval as an approved mortgagee and on the further condition that the correspondent institution and the institution for which it is authorized to act shall agree to notify promptly the Administrator of the termination of such relationship and on the further condition that the correspondent institution shall agree to originate insured mortgage loans for the purpose of sale only to the institution or institutions which requested its approval; and

(d) if it is not an institution or other permanent organization of the character described in the first division of paragraph (b) above, it shall submit an agreement in writing: (1) That so long as it continues to be approved as a mortgagee, it will not issue any mortgage participating certificates on which it assumes personal liability, or issue any guaranty with respect to principal or interest of any mortgage, except that any such obligations outstanding on the date of the application of such institution may thereafter be renewed; and (2) that it will segregate all monthly payments under mortgages insured by the Administrator, received by it on account of ground rents, taxes, assessments, and insurance premiums, and will deposit such funds in a special account, or accounts, with some banking institution whose accounts are insured by the Federal Deposit Insurance Corporation and shall use such funds for no purpose other than that for which they were received.*

§ 521.5 *Approval of fiduciary investments.* Approval as a mortgagee under §§ 521.1–521.8, of a banking institution or trust company which is subject to the inspection and supervision of a governmental agency, shall be deemed to constitute approval of such institution or company when lawfully acting in a fiduciary capacity in investing fiduciary funds which are under its individual or joint control. Upon termination of such fiduciary relationship, whether by revocation or otherwise, any insured mortgages held in the fiduciary estate shall be transferred to a mortgagee approved under this section and the fiduciary relationship must be such as to permit such transfer.

Nothing in §§ 521.1–521.8 shall be construed to permit the sale to the general public of instruments representing the beneficial interest in all or part of one or more insured mortgages.*

§ 521.6 *Approval may be withdrawn.* Approval of an institution as a mortgagee may be withdrawn at any time by notice from the Administrator. In the discretion of the Administrator, the transfer of an insured mortgage to a mortgagee not approved to act under §§ 521.1–521.8, or the failure of a mortgagee not subject to the inspection and supervision of a governmental agency to segregate all funds received from mortgagors on account of ground rents, taxes, assessments and insurance premiums, and to deposit such funds in a special account or accounts, with some banking institution whose accounts are insured by the Federal Deposit Insurance Corporation, or the use of such funds for any purpose other than that for which they were received, or the failure of a mortgagee to conduct its business on the plan indicated by its application for approval, or the termination of its supervision by a governmental agency will be cause for withdrawal of approval. Withdrawal of approval will in no case affect the insurance on mortgages theretofore accepted for insurance.*

§ 521.7 *Financial statements to be furnished.* All approved mortgagees shall at any time upon request furnish the Administrator with a copy of their latest periodic financial statement or report.*

§ 521.8 *Proper servicing of mortgages.* All approved mortgagees are required to service insured loans in accordance with acceptable mortgage practices of prudent lending institutions. In the event of default, the mortgagee should be able to contact the mortgagor and otherwise exercise diligence in collecting the amounts due. The holder of the mortgage is responsible to the Administrator for proper servicing, even though the actual servicing may be performed by an agent of such holder.*

Application and Commitment

§ 521.9 *Submission of application.* Any approved mortgagee may submit an application for insurance of a mortgage about to be executed, or of a mortgage already executed.*

§ 521.10 *Form of application.* The application must be made upon a standard form prescribed by the Administrator.*

§ 521.11 *Fee to accompany application.* The application must be accompanied by the mortgagee's check for a sum computed at a rate of $3 per thousand dollars of the original principal amount of the mortgage loan applied for to cover the costs of appraisal by the Administrator, but in no case shall such sum be less than $10. If an application is refused without an appraisal being made by the Administrator, the fee will be returned to the applicant but no portion of the fee will be returned after appraisal or on account of any difference between the amount applied for and the amount approved for insurance.

If, after insurance, the outstanding principal amount of an insured mortgage is increased by the substitution of a new insured mortgage, the fee herein provided for shall be based upon the amount of such increase but in no case shall be less than $10.*

§ 521.12 *Approval of application.* Upon approval of an application, acceptance of the mortgage for insurance will be evidenced by the issuance of a commitment setting forth, upon a form prescribed by the Administrator, the terms and conditions upon which the mortgage will be insured.*

§ 521.13 *Refinancing existing mortgage.* If on the date of the application for a firm commitment there is a then existing mortgage on the property, whether insured or uninsured, held by a mortgagee other than the applicant, which mortgage is to be refinanced in whole or in part by the mortgage offered for insurance, such application must be accompanied by a certificate executed by the proposed mortgagor certifying that he has applied to the holder of such existing mortgage for refinancing and that after reasonable opportunity, such holder has failed or refused to make a loan of a like amount and on as favorable terms as those of the loan offered for insurance as described in the application submitted therewith after taking into account amortization provisions, commission, interest rate, mortgage insurance premium, and costs to the mortgagor for legal services, appraisal fees, title expenses, and similar charges.*

Eligible Mortgages

§ 521.14 *Form, lien.* The mortgage must be executed upon a form approved by the Administrator for use in the jurisdiction in which the property covered by the mortgage is situated, by a mortgagor with the qualifications hereinafter set forth in §§ 521.28–521.31, must be a first lien upon property that conforms

with the property standards prescribed by the Administrator, and the entire principal amount of the mortgage must have been disbursed to the mortgagor, or to his creditors for his account and with his consent.*

§ 521.15 *Maximum amount of mortgage and appraisal value of property.* The mortgage should involve a principal obligation in an amount of $100 or multiples thereof but must not exceed $16,000 and must not exceed 80 per cent of the appraised value of the property as of the date the mortgage is accepted for insurance except under the following circumstances:

(a) If the amount of the mortgage does not exceed $5,400 and there is located upon the property a dwelling designed principally for a single family residence, the construction of which (1) is begun after February 3, 1938, and which is approved for mortgage insurance prior to the beginning of construction, or (2) the construction of which was begun after January 1, 1937, and before February 3, 1938, and which at the time the mortgage is accepted for insurance has not been sold or occupied since completion.

Such mortgage may exceed 80 per cent, provided at the time the mortgage is insured the mortgagor is the owner and occupant and has paid on account of the property at least 10 per cent of its appraised value, in cash or its equivalent, but must not exceed 90 per cent of the appraised value of the property as of the date the mortgage is accepted for insurance.

(b) If the amount of the mortgage does not exceed $8,600 and the property complies with all of the conditions set forth in paragraph (a) above, except as to the amount of the mortgage, and has an appraised value (as of the date the mortgage is accepted for insurance) in excess of $6,000, the amount of such mortgage must not exceed 90 percent of $6,000 of such value, plus 80 percent of the balance of such value.*

§ 521.16 *Payments and maturity dates.* The mortgage should come due on the first of a month and must have a maturity satisfactory to the Administrator, not to be less than 4 nor more than 20 years from the date of insurance, except that a mortgage of the character described in § 521.15 (a) may have a maturity satisfactory to the Administrator, not more than 25 years from the date of insurance. The amortization period should be either 5, 8, 10, 12, 15, 17 or 20 years by providing for either 60, 96, 120, 144, 180, 204 or 240 monthly amortization payments except that as to mortgages of the character described in § 521.15 (a) such period may also be either 24 or 25 years by providing for 288 or 300 monthly amortization payments.*

§ 521.17 *Rate of interest.* The mortgage may bear interest at such rate as may be agreed upon between the mortgagee and the mortgagor, but in no case shall such interest rate be in excess of 4½ percent per annum. Interest shall be payable in monthly installments on the principal then outstanding.*

§ 521.18 *Amortization provisions.* The mortgage must contain complete amortization provisions satisfactory to the Administrator, requiring monthly payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Administrator. The sum of the principal and interest payments in each month shall be substantially the same.*

§ 521.19 *Payment of insurance premiums.* The mortgage may provide for monthly payments by the mortgagor to the mortgagee of an amount equal to one-twelfth of the annual mortgage insurance premium payable by the mortgagee to the Administrator. Such payments shall continue only so long as the contract of insurance shall remain in effect. The mortgage should provide that upon the payment of the mortgage before maturity, the mortgagor shall pay the adjusted premium charge referred to in § 522.3 (b), but shall not provide for the payment of any further charge on account of such prepayment.*

§ 521.20 *Mortgagor's payments to include other charges.* The mortgage shall provide for such equal monthly payments by the mortgagor to the mortgagee as will amortize the ground rents, if any, and the estimated amount of all taxes, special assessments, if any, and fire and other hazard insurance premiums, within a period ending 1 month prior to the dates on which the same become delinquent. The mortgage shall further provide that such payments shall be held by the mortgagee in a manner satisfactory to the Administrator, for the purpose of paying such ground rents, taxes, assessments, and insurance premiums, before the same become delinquent, for the benefit and account of the mortgagor. The mortgage must also make provision for adjustments in case the estimated amount of such taxes, assessments, and insurance premiums shall prove to be more, or less, than the actual amount thereof so paid by the mortgagor.*

§ 521.21 *Mortgagee's application of payments.* All monthly payments to be made by the mortgagor to the mortgagee as hereinabove provided, in §§ 521.17–521.20, shall be added together and the aggregate amount thereof shall be paid by the mortgagor each month in a single payment. The mortgagee shall apply the same to the following items in the order set forth:

(a) premium charges under the contract of insurance;

(b) ground rents, taxes, special assessments, and fire and other hazard insurance premiums;

(c) interest on the mortgage; and

(d) amortization of the principal of the mortgage.

Any deficiency in the amount of any such aggregate monthly payment shall, unless made good by the mortgagor prior to, or on, the due date of the next such payment, constitute an event of default under the mortgage.*

§ 521.22 *Late charge.* The mortgage may provide for a charge by the mortgagee of a "late charge", not to exceed 2 cents for each dollar of each payment more than 15 days in arrears, to cover the extra expense involved in handling delinquent payments.*

§ 521.23 *Mortgagor's payments when mortgage is executed.* The mortgagor must pay to the mortgagee, upon the execution of the mortgage, a sum that will be sufficient to pay the ground rents, if any, and the estimated taxes, special assessments, and fire and other hazard insurance premiums for the period beginning on the date to which such ground rents, taxes, assessments, and insurance premiums were last paid and ending on the date of the first monthly payment under the mortgage and may be required to pay a further sum equal to the first annual mortgage insurance premium, plus an amount sufficient to pay the mortgage insurance premium from the date of closing the loan to the date of the first monthly payment.*

§ 521.24 *Service charge.* The mortgagee may charge the mortgagor the amount of the appraisal fee provided for in § 521.11 and an initial service charge to reimburse itself for the cost of closing the transaction. Such service charge shall not exceed 1 percent of the original principal amount of the mortgage or a charge of $20, whichever is the greater, except that in cases of property under construction or to be constructed where the mortgagee makes partial disbursements and inspections of the property during the progress of construction, such initial service charge may be in an amount not in excess of 2½ percent of the original principal amount of the mortgage or a charge of $50, whichever is the greater.*

§ 521.25 *Approval of other charges.* In addition to the charges hereinbefore mentioned, the mortgagee may collect from the mortgagor only recording fees and such appraisal fees and cost of title search as are approved by the Administrator. Nothing in this section and § 521.24 shall be construed as prohibiting the mortgagor from dealing through a broker, who does not represent the mortgagee, if he prefers to do so, and paying the broker such compensation as is satisfactory to the mortgagor.*

§ 521.26 *Project must be economically sound.* The mortgage must be executed with respect to a project which, in the opinion of the Administrator, is economically sound.*

§ 521.27 *Properties insured on or after July 1, 1944.* On and after July 1, 1944 no mortgages will be insured except mortgages (a) that cover property

which is approved for mortgage insurance prior to the completion of the construction of such property, or (b) that cover property which had been previously covered by a mortgage insured by the Administrator.*

Eligible Mortgagors

§ 521.28 *Mortgage must be only lien upon property.* A mortgagor must establish that after the mortgage offered for insurance has been recorded, the mortgaged property will be free and clear of all liens other than such mortgage and that there will not be outstanding any other unpaid obligation contracted in connection with the mortgage transaction or the purchase of the mortgaged property, except obligations which are secured by property or collateral owned by the mortgagor independently of the mortgaged property.*

§ 521.29 *Relationship of income to mortgage payments.* A mortgagor must establish that the periodic payments required in the mortgage submitted for insurance bear a proper relation to his present and anticipated income and expenses.*

§ 521.30 *Credit standing of mortgagor.* A mortgagor must have a general credit standing satisfactory to the Administrator.*

§ 521.31 *Residence of mortgagor.* A mortgagor is not restricted as to place of residence and need not be the occupant of the property covered by the mortgage, except where the principal obligation of the mortgage exceeds 80 percent of the appraised value under the conditions set forth in § 521.15 (a), (b).*

Eligible Properties

§ 521.32 *Nature of title to the realty.* A mortgage to be eligible for insurance must be on real estate held in fee simple, or on leasehold under a lease for not less than 99 years which is renewable, or under a lease with a period of not less than 50 years to run from the date the mortgage is executed.*

§ 521.33 *Dwelling unit located on property.* At the time a mortgage is insured there must be located on the mortgaged property a dwelling unit designed principally for residential use for not more than four families. Such unit may be connected with other dwellings by a party wall or otherwise.*

§ 521.34 *Standards for buildings.* The buildings on the mortgaged property must conform with the standards prescribed by the Administrator.*

§ 521.35 *Location of property.* The mortgaged property, if otherwise acceptable to the Administrator, may be located in any community where the housing standards meet the requirements of the Administrator.*

§ 521.36 *Effective date.* The administrative rules in this part are effective as to all mortgages on which a commitment to insure is issued to an approved mortgagee on or after July 1, 1941.*

PART 522—REGULATIONS FOR MUTUAL MORTGAGE INSURANCE

Sec.

§ 522.1 *Citation.* The regulations in this part may be cited and referred to as Part 522—Regulations of the Federal Housing Administrator for mutual mortgage insurance under section 203 of the National Housing Act, as amended, revised July 1, 1941.*

*§§ 522.1 to 522.19, inclusive, issued under the authority contained in sec. 211, as added by sec. 3, 52 Stat. 23; 12 U.S.C., Sup., 1715b.

§ 522.2 *Definitions.* As used in the regulations in this part:

(a) The term "Administrator" means the Federal Housing Administrator.

(b) The term "Act" means the National Housing Act.

(c) The term "mortgage" means such a first lien upon real estate as is commonly given to secure advances on, or the unpaid purchase price of, real estate under the laws of the jurisdiction where the real estate is situated, together with the credit instruments, if any, secured thereby.

(d) The term "insured mortgage" means a mortgage which has been insured by the endorsement of the Administrator.

(e) The term "mortgagor" means the original borrower under a mortgage and his heirs, executors, administrators, and assigns.

(f) The term "mortgagee" means the original lender under a mortgage and its successors and such of its assigns as are approved by the Administrator.

(g) The term "contract of insurance" means the endorsement of the Administrator upon the credit instrument given in connection with an insured mortgage, incorporating by reference the regulations in this part.*

§ 522.3 *Premiums.* (a) The mortgagee shall pay to the Administrator an annual mortgage insurance premium equal to one-half of 1 percent of the average outstanding principal obligation for the 12-month period following the date on which such premium becomes payable, and calculated in accordance with the amortization provisions without taking into account delinquent payments or prepayments.

The first such premium is to be paid on the date on which such insurance becomes effective by endorsement and shall be calculated on the average outstanding principal balance for the year beginning with a day 30 days prior to the date of the first monthly payment. Until the mortgage is paid in full or the mortgaged property is acquired by the Administrator as hereinafter set forth, or until the contract of insurance is otherwise terminated as hereinafter provided, the next and each succeeding premium shall be paid annually thereafter on the anniversary of such day, and the amount of the second premium payment will be adjusted accordingly. Such premiums shall be paid either in cash or debentures issued under Title II of the National Housing Act at par plus accrued interest.

The provisions of this section with reference to the amount of principal on which the premium charge is calculated shall also apply to mortgages insured prior to the date of the regulations in this part but only in respect to premiums payable after February 3, 1938.

(b) In the event that the principal obligation of any mortgage accepted for insurance is paid in full prior to maturity, the mortgagee shall within 30 days thereafter notify the Administrator of the date of prepayment and shall pay to the Administrator an adjusted premium charge of 1 per cent of the original principal amount of the prepaid mortgage, except that if at the time of such prepayment there is placed on the mortgaged property a new insured mortgage in an amount less than the original amount of the prepaid mortgage, such adjusted premium shall be 1 per cent of the difference in such amounts.

In no event shall the adjusted premium exceed the aggregate amount of premium charges which would have been payable if the mortgage had continued to be insured until maturity.

No adjusted premium shall be due or payable in the following cases:

(1) Where at the time of such prepayment there is placed on the mortgaged property a new insured mortgage for an amount equal to or greater than the original principal amount of the prepaid mortgage; or

(2) Where the final maturity specified in the mortgage is accelerated solely by reason of partial prepayments made by the mortgagor which do not exceed in any one calendar year 15 per cent of the original face amount of the mortgage; or

(3) Where the final maturity specified in the mortgage is accelerated solely by reason of payments to principal to compensate for (i) damage to the mortgaged

property, or (ii) a release of a part of such property if approved by the Administrator; or

(4) Where payment in full is made of a delinquent mortgage on which foreclosure proceedings have been commenced, or for the purpose of avoiding foreclosure, if the transaction is approved by the Administrator.

Upon such prepayment the contract of insurance shall terminate.

(c) If at the time of prepayment a new insured mortgage is placed on the same property, the Administrator will refund to the mortgagee for the account of the mortgagor an amount equal to the pro rata portion of the current annual mortgage insurance premium theretofore paid, which is applicable to the portion of the year subsequent to such prepayment.*

§ 522.4 *Insurance endorsement.* Upon compliance, satisfactory to the Administrator, with the terms of his commitment to insure the Administrator will endorse the original credit instrument in form as follows:

No. ------
Insured under the
National Housing Act
And Regulations of the
Federal Housing Administrator
For Mutual Mortgage Insurance
Dated November 1, 1934
as amended ----------
FEDERAL HOUSING ADMINISTRATOR
By ----------
Authorized Agent
Date ----------

The mortgage shall be an insured mortgage from the date of such endorsement. The Administrator and the mortgagee shall thereafter be bound by the regulations in this part with the same force and to the same extent as if a separate contract had been executed relating to the insured mortgage, including the provisions of the regulations in this part and of the National Housing Act.*

§ 522.5 *Classification of mortgages.* Insured mortgages shall be so classified in groups that the mortgages in any group shall involve substantially similar risk characteristics.*

§ 522.6 *Premium charges and other fees credited to group account.* Premium charges received for the insurance of any mortgage, appraisal and other fees, the receipts derived from the property covered by the mortgage and claims assigned to the Administrator in connection therewith, and all earnings on the assets of the group account shall be credited to the account of the group to which the mortgage is assigned.*

§ 522.7 *Charges against group account.* The principal of, and interest paid or to be paid on, debentures issued in exchange for any property, payments made or to be made to the mortgagee and mortgagor, and expenses incurred in the handling of the property covered by the mortgage and in collection of claims assigned to the Administrator in connection therewith shall be charged to the account of the group to which such mortgage is assigned.*

§ 522.8 *Termination of group account.* The Administrator shall terminate the insurance as to any group of mortgages (a) When he shall determine that the amounts to be distributed as hereinafter set forth to each mortgagee under an outstanding mortgage assigned to such group are sufficient to pay off the unpaid principal of each such mortgage; or

(b) When all the outstanding mortgages in any group have been paid.

Upon such termination, the Administrator shall charge the group account with the estimated losses arising from transactions relating to that group, shall transfer to the General Reinsurance Account an amount equal to 10 percent of the total premium charges theretofore credited to such group account, and shall distribute to the mortgagees, for the benefit and account of the mortgagors of the mortgages assigned to such group, the balance remaining in such group in such proportions as may be equitable as among such mortgagees and in accordance with sound actuarial and accounting practice.*

§ 522.9 *Application of funds by mortgagee.* The mortgagee shall accept such payment and apply it on account of the obligation, if any, of the mortgagor under the insured mortgage and distribute the balance, if any, to the mortgagor. If such payment is sufficient to satisfy the obligation of the mortgagor in full, the mortgagee shall thereupon deliver to the mortgagor any instrument or instruments necessary or proper to discharge such mortgage.*

§ 522.10 *Amount of payment determined by Administrator.* No mortgagor or mortgagee shall have any vested right in a credit balance in any such account or be subject to any liability arising out of the mutuality of the Mutual Mortgage Insurance Fund, and the determination of the Administrator as to the amount to be paid by him to any mortgagee or mortgagor shall be final and conclusive.*

§ 522.11 *Rights of parties on termination of insurance.* In the event the mortgagee forecloses on the mortgaged property, but does not convey it to the Administrator in accordance with § 522.14, and the Administrator is given written notice thereof, or in the event the mortgagor pays the obligation under the mortgage in full, prior to the maturity thereof, and the mortgagee pays any adjusted premium required under § 522.3 (b), and the Administrator is given written notice by the mortgagee of such payment by the mortgagor, the obligation to pay any subsequent premium charge for insurance shall cease and all rights of the mortgagee and mortgagor, under § 522.14, shall terminate as of the date of such notice. Upon such termination, the mortgagor shall be entitled to receive a share of the credit balance of the group account to which the mortgage has been assigned in such amount as the Administrator shall determine to be equitable and not inconsistent with the solvency of the group account and of the fund.*

§ 522.12 *Time of default.* If the mortgagor fails to make any payment, or to perform any other covenant or obligation under the mortgage, and such failure continues for a period of 30 days, the mortgage shall be considered in default, and the mortgagee shall, within 60 days thereafter, give notice in writing to the Administrator of such default, unless such default has been cured or unless the Administrator has been notified of a previous default which remains uncured.*

§ 522.13 *Transfer of property to the Administrator; conditions of default in mortgage.* At any time within 1 year from the date of default the mortgagee, at its election, shall either:

(a) With, and subject to, the consent of the Administrator, acquire by means other than foreclosure of the mortgage, possession of, and title to, the mortgaged property; or

(b) Commence foreclosure of the mortgage: *Provided,* That if the laws of the State in which the mortgaged property is situated do not permit the commencement of such foreclosure within such period of time, the mortgagee shall commence such foreclosure within 60 days after the expiration of the time during which such foreclosure is prohibited by such laws.

The mortgagee shall promptly give notice in writing to the Administrator of the institution of foreclosure proceedings and shall exercise reasonable diligence in prosecuting such proceedings to completion.

For the purposes of this section, the date of default shall be considered as 30 days after (1) the first uncorrected failure to perform a covenant or obligation, or (2) the first failure to make a monthly payment which subsequent payments by the mortgagor are insufficient to cover when applied to the overdue monthly payments in the order in which they became due.

If after default and prior to the completion of foreclosure proceedings, the mortgagor shall pay to the mortgagee all monthly payments in default and such expenses as the mortgagee shall have incurred in connection with the foreclosure proceedings, notice shall be given to the Administrator, and the insurance shall continue as if such default had not occurred.

Nothing contained in this section shall be construed so as to prevent the mortgagee, with the written consent of the Administrator, from taking action at a later date than herein specified.

If at any time during default the mortgagor is a "person in military service", as such term is defined in the Soldiers' and Sailors' Civil Relief Act of 1940, the period during which he is in such service shall be excluded in computing the one year period within which the mortgagee

shall commence foreclosure or acquire the property by other means as provided in this section and no postponement or delay in the prosecution of foreclosure proceedings during the period the mortgagor is in such military service shall be construed as failure on the part of the mortgagee to exercise reasonable diligence in prosecuting such proceedings to completion as required by this section.*

§ 522.14 *Condition of property when transferred; delivery of debentures; certificate of claim and definition of the term "waste."* If the default is not cured as aforesaid, and if the mortgagee has otherwise complied with the provisions of § 522.13, and at any time within 30 days (or such further time as may be necessary to complete the title examination and perfect such title) after acquiring possession of the mortgaged property by foreclosure, or by other means in accordance with paragraph (a) of § 522.13, tenders to the Administrator possession of, and a deed containing a covenant which warrants against the acts of the mortgagee and all claiming by, through, or under it, conveying good merchantable title (evidenced as hereinafter provided in § 522.15) to, such property undamaged by fire, earthquake, flood, or tornado, and undamaged by waste, except as hereinafter in this section provided, and assigns (without recourse or warranty) any and all claims which it has acquired in connection with the mortgage transaction, and as a result of the foreclosure proceedings or other means by which it acquired such property, except such claims as may have been released with the approval of the Administrator, the Administrator shall promptly accept conveyance of such property and such assignment and shall deliver to the mortgagee:

(a) Debentures of the Mutual Mortgage Insurance Fund as set forth in section 204 of the Act, issued as of the date foreclosure proceedings were instituted or the property was otherwise acquired by the mortgagee after default, bearing interest at the rate of 2¾ percent per annum payable semi-annually on the first day of January and the first day of July of each year, and having a total face value equal to the value of the mortgage as defined in section 204 (a) of the Act. Such value shall be determined by adding to original principal of the mortgage, which was unpaid on the date of the institution of foreclosure proceedings or the acquisition of the property otherwise after default, the amount of all payments, which have been made by the mortgagee for taxes, ground rent and water rates, which are liens prior to the mortgage, special assessments, which are noted on the application for insurance or which become liens after the insurance of the mortgage, insurance on the property mortgaged and any mortgage insurance premium paid after the institution of foreclosure proceedings or the acquisition of the property otherwise after default, and by deducting from such total any amount received on account of the mortgage after the institution of foreclosure proceedings or the acquisition of the property otherwise after default and from any source relating to the property on account of rent or other income after deducting reasonable expenses incurred in handling the property: *Provided, however,* That with respect to mortgages which are accepted for insurance prior to July 1, 1944, under section 203 (b) (2) (B), on which the unpaid principal obligation at the time of the institution of foreclosure proceedings exceeds 80 percent of the appraised value of the property as of the date the mortgage was accepted for insurance, there will be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator an amount not in excess of 2 percent of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of $75.

Such debentures shall be registered as to principal and interest and all or any such debentures may be redeemed, at the option of the Administrator with the approval of the Secretary of the Treasury, at par and accrued interest on any interest payment day on 3 months' notice of redemption given in such manner as the Administrator shall prescribe.

(b) A certificate of claim in accordance with section 204 (e) of the Act, which shall become payable, if at all, upon the sale and final liquidation of the interest of the Administrator in such property in accordance with section 204 (f) of the Act. This certificate shall be for an amount which the Administrator shall determine to be sufficient to pay all amounts due under the mortgage and not covered by the amount of debentures and shall include a reasonable amount for necessary expenses incurred by the mortgagee in connection with the foreclosure proceedings or the acquisition of the mortgaged property otherwise and the conveyance thereof to the Administrator, including reasonable attorney's fees, unpaid interest and cost of repairs to the property made by the mortgagee after default to remedy the waste mentioned in this section. Each such certificate of claim shall provide that there shall accrue to the holder thereof with respect to the face amount of such certificate, an increment at the rate of 3 percent per annum.

The term "waste" as used in this section means permanent or substantial injury caused by unreasonable use, or abuse, and is not intended to include damage caused by ordinary wear and tear.

The provisions of this section concerning waste, shall not apply to mortgages on which the unpaid principal obligation at the time of the institution of foreclosure proceedings exceeds 75 percent of the appraised value of the property as of the date the mortgage was accepted for insurance.*

§ 522.15 *Satisfactory title evidence.* Evidence of title of the following types will be satisfactory to the Administrator:

(a) A fee or owner's policy of title insurance, a guaranty or guarantee of title, or a certificate of title, issued by a title company, duly authorized by law and qualified by experience to issue such; or

(b) An abstract of title prepared by an abstract company or individual engaged in the business of preparing abstracts of title and accompanied by the legal opinion as to the quality of such title signed by an attorney at law experienced in examination of titles; or

(c) A Torrens or similar title certificate; or

(d) Evidence of title conforming to the standards of a supervising branch of the Government of the United States or of any State or Territory thereof.

Such evidence of title shall be furnished without cost to the Administrator and shall be executed as of a date to include the recordation of the deed to the Administrator, and shall show that, according to the public records, there are not, at such date, any outstanding prior liens, including any past due and unpaid ground rents, general taxes, or special assessments.

If the title and title evidence are such as to be acceptable to prudent lending institutions and leading attorneys generally in the community in which the property is situated, such title and title evidence will be satisfactory to the Administrator and will be considered by him as good and merchantable.

The Administrator will not object to the title by reason of the following matters, provided they are not such as to impair the value of the property for residence purposes, or provided they have been brought to the attention of the insuring office for consideration in fixing the valuation:

(1) customary easements for public utilities, party walls, driveways, and other purposes; customary building or use restrictions for breach of which there is no reversion and which have not been violated to a material extent;

(2) such restrictions when coupled with a reversionary clause, provided there has been no violation prior to the date of the deed to the Administrator;

(3) slight encroachments by adjoining improvements;

(4) outstanding oil, water, or mineral rights which, in the opinion of the Administrator, do not impair the value of the property for residence purposes, or which are customarily waived by prudent lending institutions and leading attorneys generally in the community.*

§ 522.16 *Assignment of mortgages.* When the insured mortgage is trans-

ferred to another approved mortgagee, such transferor and transferee shall both notify the Administrator of such transfer within 30 days thereof, and the transferee shall thereupon succeed to all the rights and become bound by all the obligations of the transferor under the contract of insurance; and the transferor shall thereupon be released from its obligations under the contract of insurance.

Whenever the insured mortgage is transferred to another approved mortgagee for the purposes of collateral only, no notice need be given to the Administrator until such collateral is foreclosed, but the transferor shall remain subject to all the obligations of the contract of insurance.*

§ 522.17 *Termination of contract of insurance.* The contract of insurance shall terminate upon the happening of either of the following events:

(a) the acquisition of the insured mortgage by, or the pledge thereof to, any person, firm, or corporation, public or private, other than an approved mortgagee, whether individually or in trust for another; *Provided*, That this paragraph (a) shall not be applicable to a mortgage acquired or held by an approved mortgagee, which is a banking institution or trust company inspected and supervised by some governmental agency, for a trust held or administered by it in a fiduciary capacity, as long as such fiduciary relationship shall remain in effect;

(b) the disposal by an approved mortgagee of any partial interest in an insured mortgage or group of insured mortgages (whether to another approved mortgagee or otherwise) by means of a declaration of trust, or by a participation or trust certificate, or by any other device: *Provided*, That this paragraph (b) shall not be applicable to any mortgage so long as it is held in a common trust fund maintained by a bank or trust company (1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank or trust company in its capacity as a trustee, executor or administrator; and (2) in conformity with the rules and regulations prevailing from time to time of the Board of Governors of the Federal Reserve System, pertaining to the collective investment of trust funds: *Provided further*, That this paragraph (b) shall not be applicable to any mortgage so long as it is held in a common trust estate administered by a bank or trust company which is subject to the inspection and supervision of a governmental agency, exclusively for the benefit of other banking institutions which are subject to the inspection and supervision of a governmental agency, and which are authorized by law to acquire beneficial interests in such common trust estate.

Upon the termination of the insurance under this section, the mortgagor shall be entitled to receive a share of the credit balance of the account of the group to which the insured mortgage has been assigned, in such amount as the Administrator shall determine to be equitable and not inconsistent with the preservation of the solvency of such account and of the Mutual Mortgage Insurance Fund.*

Cross Reference: For regulations of the Board of Governors of the Federal Reserve System pertaining to the collective investment of trust funds, see 12 CFR 206.17.

§ 522.18 *Amendments.* The regulations in this part may be amended by the Administrator at any time and from time to time, in whole or in part, but such amendment shall not affect the contract of insurance on any mortgage already insured, or any mortgage or prospective mortgage on which the Administrator has made a commitment to insure.*

§ 522.19 *Effective date.* The regulations in this part are effective as to all mortgages on which a commitment to insure is issued to an approved mortgagee on or after July 1, 1941. Wherever a mortgagee so desires, the provisions of the regulations in this part shall become a part of any contract of insurance heretofore made.*

Issued at Washington, D. C., June 28, 1941.

[SEAL] ABNER H. FERGUSON,
Federal Housing Administrator.

[F. R. Doc. 41-4840; Filed, July 7, 1941; 3:15 p. m.]

TITLE 30—MINERAL RESOURCES

CHAPTER III—BITUMINOUS COAL DIVISION

[Docket No. A-853]

PART 321—MINIMUM PRICE SCHEDULE, DISTRICT NO. 1

ORDER GRANTING TEMPORARY RELIEF AND CONDITIONALLY PROVIDING FOR FINAL RELIEF IN THE MATTER OF THE PETITION OF DISTRICT BOARD NO. 1 FOR THE ESTABLISHMENT OF PRICE CLASSIFICATIONS AND MINIMUM PRICES FOR THE COALS OF CERTAIN MINES IN DISTRICT NO. 1

An original petition, pursuant to section 4 II (d) of the Bituminous Coal Act of 1937, having been duly filed with this Division by the above-named party, requesting the establishment, both temporary and permanent, of price classifications and minimum prices for the coals of certain mines in District No. 1; and

The Director finding that a reasonable showing of necessity has been made for the granting of temporary relief in the manner hereinafter set forth; and

No petitions of intervention having been filed with the Division in the above-entitled matter; and

The Director deeming his action necessary in order to effectuate the purposes of the Act;

It is ordered, That, pending final disposition of the above-entitled matter, temporary relief is granted as follows: Commencing forthwith, § 321.7 (*Alphabetical list of code members*) and § 321.24 (*General prices*) are supplemented to include the price classifications and minimum prices set forth in the schedules marked "Supplement R" and "Supplement T", respectively, hereinafter set forth and hereby made a part hereof.

It is further ordered, That pleadings in opposition to the original petition in the above-entitled matter and applications to stay, terminate or modify the temporary relief herein granted may be filed with the Division within forty-five (45) days from the date of this Order, pursuant to the Rules and Regulations Governing Practice and Procedure before the Bituminous Coal Division in Proceedings Instituted Pursuant to section 4 II (d) of the Bituminous Coal Act of 1937.

It is further ordered, That the relief herein granted shall become final sixty (60) days from the date of this Order, unless the Director shall otherwise order.

No relief is granted herein to the Amsler Mine (Mine Index No. 3138) of C. H. & C. W. Amsler, since this mine is affected by unique considerations set forth in an Order designating that portion of Docket No. A-853 which relates to it as Docket No. A-853, Part II, granting temporary relief, consolidating the issue as to such mine with Docket No. A-356, and scheduling a hearing therein.

Dated: June 26, 1941.

[SEAL] H. A. GRAY,
Director.

TEMPORARY AND CONDITIONALLY FINAL EFFECTIVE MINIMUM PRICES FOR DISTRICT NO. 1

NOTE: The material contained in these supplements is to be read in the light of the classifications, prices, instructions, exceptions and other provisions contained in Part 321, Minimum Price Schedule for District No. 1 and Supplements thereto.

FOR ALL SHIPMENTS EXCEPT TRUCK

§ 321.7 *Alphabetical list of code members*—Supplement R

[Alphabetical listing of code members having railway loading facilities, showing price classification by size group Nos.]

Mine index No.	Code member	Mine name	Subdist. No.	Seam	Freight origin Group No.	1	2	3	4	5
1406	Galbraith, John	Bacon-Ghem	8	B	45	(†)	(†)	E	(†)	(†)
750	Prushnok, J. P. (The Arcadia Coal Company).	Arcadia #40	12	E	44	G	G	G	G	G
732	Sayers & Milliron (H. A. Sayers)	Sayers & Milliron	4	E	77	(†)	(†)	G	(†)	(†)

†Indicates no classifications effective for these size groups.

FOR TRUCK SHIPMENTS

§ 321.24 *General prices*—Supplement T

Code member index	Mine index No.	Mine	Sub. dist. No.	County	Seam	All lump coal double screened top size 2" and over	Double screened, top size 2" and under	Run of mine modified R/M	2" and under slack	¾" and under slack
						1	2	3	4	5
Blose, J. N.	1113	Dutch Run	22	Armstrong	E	240	215	(*)	205	195
Honeybar, Henry	751	Hay #2	41	Somerset	C'			220		
Prushnok, J. P. (The Arcadia Coal Company).	750	Arcadia #40	12	Indiana	E	240	215	215	205	195
Sayers & Milliron (H. A. Sayers)	732	Sayers & Milliron	4	Clarion	E	240	215	215	200	190

*Indicates coal in this size group previously classified and priced.

[F. R. Doc. 41-4812; Filed, July 7, 1941; 10:08 a. m.]

[Docket No. A-877]

PART 321—MINIMUM PRICE SCHEDULE, DISTRICT NO. 1

ORDER OF THE DIRECTOR GRANTING TEMPORARY RELIEF AND CONDITIONALLY PROVIDING FOR FINAL RELIEF IN THE MATTER OF THE PETITION OF DISTRICT BOARD 1

An original petition, pursuant to section 4 II (d) of the Bituminous Coal Act of 1937, having been duly filed with this Division by the above-named party, requesting the establishment, both temporary and permanent, of price classifications and minimum prices for the coals of certain mines in District No. 1 not heretofore classified and priced; and

The Director finding that a reasonable showing of necessity has been made for the granting of temporary relief in the manner hereinafter set forth; and

No petitions of intervention having been filed with the Division in the above-entitled matter; and

The Director deeming his action necessary in order to effectuate the purposes of the Act;

It is ordered, That, pending final disposition of the above-entitled matter, temporary relief is granted as follows: Commencing forthwith § 321.7 (*Alphabetical list of code members*) and § 321.24 (*General prices*) are amended to include the price classifications and minimum prices set forth in the schedules marked Supplement R and Supplement T, respectively, hereinafter set forth and hereby made a part hereof.

It is further ordered, That pleadings in opposition to the original petition in the above-entitled matter and applications to stay, terminate or modify the temporary relief herein granted may be filed with the Division within forty-five (45) days from the date of this Order, pursuant to the Rules and Regulations Governing Practice and Procedure before the Bituminous Coal Division in Proceedings Instituted Pursuant to section 4 II (d) of the Bituminous Coal Act of 1937.

It is further ordered, That the relief herein granted shall become final sixty (60) days from the date of this Order, unless the Director shall otherwise order.

As the minimum prices here proposed for coals in Size Groups 1, 2, 4, and 5 produced at the Taylor mine (Mine Index No. 700) of Taylor Brothers have previously been established by Order of the Director in Docket No. A-625, no minimum prices for truck shipments of such coals of this mine have been established in this proceeding.

As minimum prices have heretofore been established in Docket No. A-723 for the coals produced at the Pittshaw No. 16 mine (Mine Index No. 368) of the Freebrook Corporation for truck shipment, no minimum prices for truck shipments of such coals of this mine have been established in this proceeding.

No relief is granted herein to the Morgan mine (Mine Index No. 739) of Ray Morgan, to the Weiser mine (Mine Index No. 2221) of the A. W. Weiser, Est., and to the Kerle mine (Mine Index No. 779) of the Zacherl Coal Company, which are included in the original petition herein, since these mines are affected by unique considerations set forth in an order designating that portion of Docket No. A-877 which relates to them as Docket No. A-877, Part II and granting them temporary relief therein.

Dated: June 25, 1941.

[SEAL] H. A. GRAY,
Director.

TEMPORARY AND CONDITIONALLY FINAL EFFECTIVE MINIMUM PRICES FOR DISTRICT NO. 1

NOTE: The material contained in these supplements is to be read in the light of the classifications, prices, instructions, exceptions and other provisions contained in Part 321, Minimum Price Schedule for District No. 1 and Supplements thereto.

FOR ALL SHIPMENTS EXCEPT TRUCK

§ 321.7 *Alphabetical list of code members*—Supplement R

[Alphabetical listing of code members having railway loading facilities, showing price classification by size group Nos.]

Mine index no.	Code member	Mine name	Subdist. No.	Seam	Freight origin group No.	1		3	4	5
767	Albert, Frank W.	Albert #2	3	D	44	F	F	F	F	F
1045	Barraclough, R. H.	Startzell and Barraclough.	6	D	119	(†)	(†)	F	(†)	(†)
753	Berkey, A. (Windber High Fusing Coal Co.).	Windber High Fusing #1.	34	B	49	(†)	(†)	A	(†)	(†)
1117	Blue Valley Coal Company (J. V. Urmann).	Blue Valley	2	B	118	H	H	H	J	J
1125	Bortz, D. D.	Postlewait	6	D	112	E	(†)	E	E	E
1163	Burnsworth, H. C.	Burnsworth	7	B	46	(†)	(†)	F	(†)	(†)
758	Covington Coal Co. (J. Bruce Meyer).	Covington C. Co.	9	B	44	(†)	(†)	G	(†)	(†)
368	Freebrook Corporation	Pittshaw #16	10	E	119	H	H	(*)	J	J
3144	Glen Moshannon Coal Co. (John B. Williams).	Glen Hope #1	13	D	46	(†)	(†)	F	(†)	(†)
754	Hamilton Coal Company (R. G. Kuhns).	Hamilton #1	20	B	45	(†)	(†)	C	C	C
2686	Harper, Lewis	Lewis Harper	7	C'	45	(†)	(†)	F	(†)	(†)
409	Jones, Roger B. c/o J. E. Kuntz	Randolph #2	15	D	59	F	F	F	F	F
2429	Kolivoski and Sons, Mike	Kolivoski	8	C'	44	(†)	(†)	F	(†)	(†)
2764	Lash & Thurstin (Samuel Lash)	Lash	7	D	62	(†)	(†)	F	(†)	(†)
1689	Livengood, John W.	Tub Mill	41	Redstone	100	(†)	(†)	H	(†)	(†)
768	McGregor, W. T.	McGregor #4	6	E	63	(†)	(†)	F	F	F
769	Mohawk Mining Company	Mohawk #2	10	E	119	H	H	H	J	J
770	Moore & Son, W. G. (W. G. Moore)	Moore #2	14	C & C'	45	G	G	G	G	G
739	Morgan, Ray (F. C. Morgan Coal Co.)	Morgan	1	B	31	(†)	(†)	F	F	F
1810	Mottern, Frank D. (Mottern Coal Co.).	Mottern Coal Co.	6	D	125	(†)	(†)	E	(†)	(†)
2352	Mottern, R. S. (R & F Coal Company).	No. 4	6	D	125	(†)	(†)	E	(†)	(†)
445	Royal Quemahoning Coal Mining Company.	Royal #1	37	C'	100	(*)	E	(*)	(*)	E
1982	Rusnak & Sons, S. (Martin Rusnak)	Rusnak	8	A	44	(†)	(†)	H	(†)	(†)
2862	Selders, Elmer (Selders Coal Co.)	Gilbert	44	B	68	(†)	(†)	H	(†)	(†)
2114	Streams, S. C.	Black Diamond	22	E	126	(†)	(†)	F	(†)	(†)
738	Summit Coal Corporation c/o G. P. Grube.	Summit #6	11	E	112	(†)	(†)	G	(†)	(†)
3142	Superior Coal Co. (Ralph D. Vought)	Superior Coal Co.	42	E	101	(†)	(†)	E	(†)	(†)
700	Taylor Brothers	Taylor	4	D	75	G	G	(*)	H	H
2170	Tri Towns Fuel Co. (W. E. Jones, Opr.)	#1	44	Bakerstown	68	(†)	(†)	H	(†)	(†)
756	Wilson Mining Company (C. L. French).	Wilson	10	D	79	H	H	H	J	J

* Indicates coal in this size group previously classified and priced.
† Indicates no classifications effective for these size groups.

FOR TRUCK SHIPMENTS

§ 321.24 *General prices*—Supplement T

Code member index	Mine index No.	Mine	Sub. dist. No.	County	Seam	All lump coal double screened top size 2" and over	Double screened top size 2" and under	Run of mine modified R/M	2" and under slack	¾" and under slack
						1	2	3	4	5
Albert, Frank W	767	Albert #2	3	Clinton	D	245	220	220	210	200
Berkey, A. (Windber High Fusing Coal Co.).	753	Windber High Fusing #1.	34	Cambria	B			245		
Blue Valley Coal Company (J. V. Urmann).	1117	Blue Valley	2	Elk	B	235	210	(*)	195	185
Covington Coal Co. (J. Bruce Meyer).	758	Covington C. Co	9	Clearfield	B			215		
Decker, Allen	740	Allen Decker	41	Somerset	B			215		
Donblisky, George & Jennie (Jennie Donblisky).	3143	Opher	8	Centre	B			210		
Glen Mosbannon Coal Co. (John B. Williams).	3144	Glen Hope #1	13	Clearfield	D			220		
Hamilton Coal Company (R. G. Kuhns).	754	Hamilton #1	20	Clearfield	B			235	225	215
Jones, Roger B. c/o J. E. Kuntz	409	Randolph #2	15	Indiana	D	245	220	220	210	200
Litten, Ivan L	737	Litten	7	Clearfield	C			220		
McGregor, W. T	768	McGregor #4	6	Jefferson	E			220	210	200
Mohawk Mining Company	769	Mohawk #2	10	Armstrong	E	235	210	210	195	185
Moore & Son, W. G. (W. G. Moore).	770	Moore #2	14	Clearfield	C & C'	240	215	215	205	195
Royal Quemahoning Coal Mining Company.	445	Royal #1	37	Somerset	C'	(*)	225	(*)	(*)	205
Russell, Thomas A	3019	Russell #2	2	Elk	B	235		(*)	195	185
Summit Coal Corporation c/o G. P. Grube.	738	Summit #6	11	Armstrong	E			215		
Superior Coal Co. (Ralph D. Vought).	3142	Superior Coal Co.	42	Garrett	E			225		
Wilson Mining Company (C. L. French).	756	Wilson	10	Armstrong	D	235	215	215	195	185

*Indicates coal in this size group previously classified and priced.

[F. R. Doc. 41-4813; Filed, July 7, 1941; 10:09 a. m.]

TITLE 32—NATIONAL DEFENSE

CHAPTER II—NATIONAL GUARD AND STATE GUARD, WAR DEPARTMENT

PART 211 [1]—STATE GUARD REGULATION [2]

§ 211.6 *Arms and equipment*—(a) *General.*

* * * * *

(2) Lists of available Federal property, together with instructions pertaining thereto and a statement of conditions under which such arms and equipment may be used by the State, will be provided by the National Guard Bureau to each corps area commander.

* * * * *

(c) *Accountability and responsibility.*

* * * * *

(5) *Relief of State guard property officer.* Upon relief from office a State guard property officer may request by letter to the Secretary of War that his bond be terminated. In this letter the State property officer will give the date of the orders relieving him from duty and the date his property accountability was transferred to his successor.

(6) *Transfer of accountability.* When it is necessary that the accountability for Federal property in the possession of the State guards be transferred to a successor, the corps area commander will arrange the bonding of the successor without prior reference to the National Guard Bureau. (Sec. 61, Act of June 3, 1916, 39 Stat. 198; 32 U.S.C. 194, as amended by Act of Oct. 21, 1940, Public, No. 874, 76th Congress) [Par. 7a and 7c, AR 850-250, April 21, 1941]

* * * * *

[SEAL] E. S. ADAMS,
Major General,
The Adjutant General.

[F. R. Doc. 41-4844; Filed, July 8, 1941; 10:00 a. m.]

[1] 6 F.R. 2277.

[2] § 211.6 (a) (2) is amended and (c) (5) and (6) added.

CHAPTER IX—OFFICE OF PRODUCTION MANAGEMENT

SUBCHAPTER B—PRIORITIES DIVISION

[Amendment to General Metals Order No. 1 [1]]

PART 928—TO RESTRICT INVENTORY ACCUMULATION OF CERTAIN SPECIFIED MATERIALS

Part 928 (General Metals Order No. 1) is hereby amended by striking from said Part only the word "Chromium" wherever it appears.

This Order shall take effect on the 7th day of July 1941, and, unless sooner terminated by direction of the Director of Priorities, shall expire on the 30th day of November, 1941. (O.P.M. Reg. 3, Mar. 7, 1941, 6 F.R. 1596; E.O. 8629, Jan. 7, 1941, 6 F.R. 191; sec. 2 (a), Public No. 671, 76th Congress)

Issued this 7th day of July 1941.

E. R. STETTINIUS, Jr.,
Director of Priorities.

[F. R. Doc. 41-4845; Filed, July 8, 1941; 10:02 a. m.]

[1] 6 F.R. 2239.

Notices

WAR DEPARTMENT.

[Contract No. W-ORD-474 [1]-Supp. 1]

SUMMARY OF SUPPLEMENTAL CONTRACT TO COST-PLUS-A-FIXED-FEE EQUIPPING, LEASE OF GOVERNMENT-OWNED EQUIPMENT, AND FIXED PRICE SUPPLY CONTRACT [2]

CONTRACTOR: GENERAL MOTORS CORPORATION, DETROIT, MICHIGAN

Fixed fee for equipping: $2.00.

Estimated cost of equipping: $21,250,940.00.

Total contract price for: * * * Machine Guns $61,398,872.19.

Contract for: The purchase and installation on a cost-plus-a-fixed-fee basis of equipment additional to that provided for in Contract No. W-ORD-474, said additional equipment being for the purpose of manufacturing Cal. * * * machine guns.

Place: Dayton, Ohio; Flint, Michigan; Saginaw, Michigan; Syracuse, N. Y.

The supplies and services to be obtained by this instrument are authorized by, are for the purpose set forth in, and are chargeable to the following Procurement Authorities, the available balances of which are sufficient to cover the cost of the same:

ORD 8907 P11-3052 A1005-01
ORD 8906 P99 A0141-02
ORD 7201 OS & SA 1940-41
ORD 7201 War Ord. Working Fund
ORD 9056 P11-30 A1005-01
ORD 9057 P2-30 A1005-01
ORD 9157 P94-13 A15910.011-1

This supplemental contract, entered into this 19th day of June 1941.

There is now in force between the parties hereto a certain contract which provides for the purchase and installation on a Cost-Plus-A-Fixed-Fee basis of machinery and equipment in Contractor's Plants for the manufacture of Machine Guns; the lease of such machinery and equipment to the Contractor; and the manufacture of machine guns by the Contractor on a fixed-price basis, said contract being dated September 14, 1940, being identified by the Government as

[1] 5 F.R. 4460.

[2] Approved by the Under Secretary of War June 25, 1941.

"Contract No. W-ORD-474" and being hereinafter sometimes referred to as the "Contract of September 14".

The parties hereto do mutually agree that the said Contract of September 14 shall be and it is hereby modified in the following particulars:

1. Change Article I-A, Title 1, section 1, (page 3) to read:

The Contractor, shall, in the shortest possible time:

(a) Purchase the machinery and equipment therefor, as set forth in the schedules attached hereto and made a part hereof, marked Exhibits "A" and "B".

(b) Arrange for the transportation of said machinery and equipment to the Contractor's plants.

(c) To any extent not fully set forth in items (a) and (b) of this section 1, Article I-A, furnish the labor, materials, tools, machinery, equipment, facilities, supplies, services, etc., and do all things necessary to provide and install machinery and equipment in the Contractor's Plants for the production of Browning Machine Guns and parts.

3. Change Article I-B, Title I, (page 4) to read:

It is estimated that the total cost of the work covered by Title I of this contract will be approximately twenty-one million two hundred fifty thousand nine hundred forty dollars ($21,250,940.00), exclusive of the Contractor's fee.

4. Change Article I-C, Title I (page 4) to read:

In consideration of its undertaking under this Title I, the Contractor shall receive the following:

(a) Reimbursement for expenditures as provided in Article I-D of this Title I.

(b) A fixed fee in the amount of two dollars ($2.00) which shall constitute complete compensation including profit, for the Contractor's services under Title I hereof.

5. Change Article III-A, Title 3, section 3, (page 14) to read:

Changes. The Contracting Officer may at any time, by a written order, and without notice to the sureties, make changes in the drawings or specifications, except Federal Specifications. Changes as to shipment and packing of all supplies may also be made as above provided.

6. Change Article III-A, Title III (page 14) by adding at the end thereof the following:

5. In the manufacture of the machine guns listed in this Article III-A, the use of machine tools, punches, dies, gages, jigs, fixtures, patterns, and other aids to manufacture acquired by the Government is hereby approved and agreed upon, and the price of this contract is predicated upon such use.

This Contract is authorized by the following law: Act of July 2, 1940, (Public, No. 703, 76th Cong.)

FRANK W. BULLOCK,
Major, Signal Corps,
Assistant to the Director of Purchases and Contracts.

[F. R. Doc. 41-4843; Filed, July 8, 1941; 10:00 a. m.]

DEPARTMENT OF THE INTERIOR.

Bituminous Coal Division.

[Docket No. 1636-FD]

IN THE MATTER OF D. H. HERRON, DEFENDANT, DISTRICT No. 8

ORDER CANCELING HEARING

The above-entitled matter having been previously scheduled for hearing on July 8, 1941, at the United States Court House, Federal Building, Big Stone Gap, Virginia, and upon good cause appearing therefor;

Now, therefore, it is ordered, That this matter be withdrawn without prejudice to the renewal thereof at any time, and the hearing previously scheduled for July 8, 1941, at the United States Court House, Federal Building, Big Stone Gap, Virginia, is hereby canceled.

Dated July 7, 1941.

[SEAL] DAN H. WHEELER,
Acting Director.

[F. R. Doc. 41-4846; Filed, July 8, 1941; 10:23 a. m.]

DEPARTMENT OF AGRICULTURE.

Rural Electrification Administration.

[Administrative Order No. 605]

ALLOCATION OF FUNDS FOR LOANS

JUNE 30, 1941.

I hereby amend:

(a) Administrative Order No. 501, dated August 9, 1940, by rescinding the allocation of $145,000 therein made for "Maine 1010A1 Franklin;"

(b) Administrative Order No. 538, dated November 5, 1940, by rescinding the allocation of $5,000 therein made for "Maine 1010W1 Franklin;"

(c) Administrative Order No. 522, dated September 26, 1940, by rescinding the allocation of $167,000 therein made for "Maine 1011A1 Waldo."

[SEAL] HARRY SLATTERY,
Administrator.

[F. R. Doc. 41-4852; Filed, July 8, 1941; 11:31 a. m.]

DEPARTMENT OF LABOR.

Wage and Hour Division.

[Administrative Order No. 115]

APPOINTMENT OF INDUSTRY COMMITTEE NO. 32 FOR THE KNITTED OUTERWEAR INDUSTRY

1. By virtue of and pursuant to the authority vested in me by the Fair Labor Standards Act of 1938, I, Philip B. Fleming, Administrator of the Wage and Hour Division, U. S. Department of Labor, do hereby appoint and convene for the knitted outerwear industry (as such industry is defined in paragraph 2) an industry committee composed of the following representatives:

For the public. G. Allan Dash, Jr., Chairman, Philadelphia, Pennsylvania; Paul F. Brissenden, New York, New York; Frank de Vyver, Durham, North Carolina; Mary Barnett Gilson, Chicago, Illinois; Philip Taft, Providence, Rhode Island.

For the employees. David Dubinsky, New York, New York; Jacob Halpern, Boston, Massachusetts; Abraham W. Katovsky, Cleveland, Ohio; Louis Nelson, Brooklyn, New York; Joseph Schwartz, Philadelphia, Pennsylvania.

For the employers. Ingram Bergman, Philadelphia, Pennsylvania; Arthur J. Reinthal, Cleveland, Ohio; Irving J. Slotoroff, New York, New York; Edgar W. Stewart, Los Angeles, California; Rudolph H. Wyner, Stoughton, Massachusetts.

Such representatives having been appointed with due regard to the geographical regions in which such industry is carried on.

2. For the purpose of this order the term "knitted outerwear industry" means:

The knitting from any yarn or mixture of yarns and the further manufacturing, dyeing or other finishing of knitted garments, knitted garment sections or knitted garment accessories for use as external apparel or covering which are partially or completely manufactured in the same establishment as that where the knitting process is performed; and the manufacture of bathing suits from any purchased fabric; provided that the manufacturing, dyeing or other finishing of the following shall not be included:

(a) Knitted fabric, as distinguished from garment sections or garments, for sale as such.

(b) Fulled suitings, coatings, topcoatings, and overcoatings.

(c) Garments or garment accessories made from purchased fabric; except bathing suits.

(d) Gloves or mittens.

(e) Hosiery.

(f) Knitted garments or garment accessories for use as underwear, sleeping wear, or negligees.

(g) Fleece-lined garments made from knitted fabric containing cotton only or containing any mixture of cotton and not more than 25 per cent, by weight, of wool or animal fiber other than silk.

(h) Knitted shirts of cotton or any synthetic fiber or any mixture of such fibers which have been knit on machinery of 10-cut or finer: *Provided,* That this exception shall not be construed to exclude from the knitted outerwear industry the manufacturing, dyeing or other finishing of knitted shirts made in the same establishment as that where the knitting process is performed, if such shirts are made wholly or in part of fibers other than those specified in this clause, or if such shirts of any fiber are knit on machinery coarser than 10-cut.

3. The definition of the finitted outerwear industry covers all occupations in the industry which are necessary to the production of the articles specified in the definition including clerical, maintenance, shipping, and selling occupations: *Provided, however,* That such clerical, maintenance, shipping, and selling occupations when carried on in a wholesaling or selling department physically segregated from other departments of a manufacturing establishment, the greater part of the sales of which wholesaling or selling department are sales of articles which have been purchased for resale, shall not be deemed to be covered by this definition: *And provided further,* That where an employee covered by this definition is employed during the same workweek at two or more different minimum rates of pay, he shall be paid the highest of such rates for such workweek unless records concerning his employment are kept by his employer in accordance with applicable regulations of the Wage and Hour Division.

4. The industry committee herein created shall meet in Conference Room 3229, Department of Labor Building, Washington, D. C., on August 19, 1941, at 10 a. m., and, in accordance with the provisions of the Fair Labor Standards Act of 1938 and rules and regulations promulgated thereunder, shall proceed to investigate conditions in the industry and recommend to the Administrator minimum wage rates for all employees thereof who within the meaning of said Act are "engaged in commerce or in the production of goods for commerce," excepting employees exempted by virtue of the provisions of section 13 (a) and employees coming under the provisions of section 14.

Signed at Washington, D. C., this 8th day of July 1941.

PHILIP B. FLEMING,
Administrator.

[F. R. Doc. 41-4853; Filed, July 8, 1941; 11:44 a. m.]

NOTICE OF ORAL ARGUMENT BEFORE THE ADMINISTRATOR AND OPPORTUNITY TO SUBMIT WRITTEN BRIEFS ON MINIMUM WAGE RECOMMENDATIONS FOR THE MISCELLANEOUS HANDWORK DIVISION OF THE NEEDLEWORK INDUSTRIES AND THE LEAF TOBACCO INDUSTRY IN PUERTO RICO AND ON AMENDING REGULATIONS OF THE WAGE AND HOUR DIVISION, UNITED STATES DEPARTMENT OF LABOR, PART 536, CHAPTER V, TITLE 29, WITH REFERENCE TO THE DEFINITION OF THE "AREA OF PRODUCTION" FOR THE PUERTO RICAN LEAF TOBACCO INDUSTRY

Whereas a hearing was held on May 20 to 24, 26, 29 and June 12, 1941, before Mr. Henry T. Hunt, Principal Hearings Examiner of the Wage and Hour Division, as Presiding Officer, at which all persons interested in the Report and Recommendations of the Special Industry Committee for Puerto Rico for the fixing of minimum wage rates in the Miscellaneous Handwork Division of the Needlework Industries and the Leaf Tobacco Industry in Puerto Rico and on amending the Regulations of the Wage and Hour Division, United States Department of Labor, Part 536, Chapter V, Title 29, with reference to the definition of the "Area of Production" for the Puerto Rican Leaf Tobacco Industry were given an opportunity to be heard and to offer evidence bearing thereon; and

Whereas, the complete record of said hearing has been transmitted to the Administrator;

Now, therefore, notice is hereby given:

That, the Administrator will receive written briefs (not fewer than twelve copies) on or before July 21, 1941, at the Department of Labor, Washington, D. C., from any person who entered an appearance at said hearing, and will hear oral argument upon the complete record of said hearing on July 29, 1941, at 10:00 A. M., in Conference Room B, Department of Labor Auditorium, 14th and Constitution Avenue NW., Washington, D. C., by any person who entered an appearance at said hearing: *Provided,* That on or before July 21, 1941, such person notifies the Wage and Hour Division of his intention to offer oral argument and of the amount of time he will require to make his presentation.

Signed at Washington, D. C., this 7th day of July 1941.

PHILIP B. FLEMING,
Administrator.

[F. R. Doc. 41-4854; Filed, July 8, 1941; 11:44 a. m.]

FEDERAL COMMUNICATIONS COMMISSION.

[Docket No. 6126]

NOTICE RELATIVE TO WASHINGTON BROADCASTING CO. (NEW)

Application dated January 28, 1941, for construction permit; class of service, broadcast; class of station, broadcast; location, Washington, Pa.; operating assignment specified: Frequency, 1,450 kc.; power, 250 w.; hours of operation, unlimited.

You are hereby notified that the Commission has examined the above described application and has designated the matter for hearing for the following reasons:

1. To determine the applicant's legal, technical, financial and other qualifications to construct and operate the proposed station.

2. To determine the nature and character of the service, both program and technical, applicant may be expected to render if granted a permit to construct the proposed station.

3. To determine the character, extent and effect of the interference which the operation of the proposed station may be expected to cause to the service of Station WFMJ, Youngstown, Ohio.

4. To determine the character, extent and effect of the interference which the proposed station may be expected to cause to and receive from a new station at Wheeling, West Virginia operating as proposed in the application (B2-P-3201) of the Forward Wheeling Radio Corporation.

5. To determine the character, extent and population of the area to which the applicant may be expected to render interference-free primary service.

6. To determine whether the granting of this application would tend toward a fair, efficient and equitable distribution of radio service as required by section 307 (b) of the Communications Act of 1934, as amended.

7. To determine to what extent, if any, control of the proposed station and Station WSTV, Steubenville, Ohio, will be held and exercised by the same individuals.

8. To determine whether, in view of the determinations made upon the foregoing issues, public interest, convenience and necessity would be served by a grant of the application.

The application involved herein will not be granted by the Commission unless the issues listed above are determined in favor of the applicant on the basis of a record duly and properly made by means of a formal hearing.

The applicant is hereby given the opportunity to obtain a hearing on such issues by filing a written appearance in accordance with the provisions of § 1.382 (b) of the Commission's Rules of Practice and Procedure. Persons other than the applicant who desire to be heard must file a petition to intervene in accordance with the provisions of § 1.102 of the Commission's Rules of Practice and Procedure.

The applicant's address is as follows:

Washington Broadcasting Company, 248 Washington Trust Building, Washington, Pennsylvania.

Dated at Washington, D. C., July 3, 1941.

By the Commission.

[SEAL] T. J. SLOWIE, *Secretary.*

[F. R. Doc. 41-4851; Filed, July 8, 1941; 11:08 a. m.]

SECURITIES AND EXCHANGE COMMISSION.

[File No. 4-36]

IN THE MATTER OF EMPIRE GAS AND FUEL COMPANY AND CITIES SERVICE COMPANY

NOTICE OF AND ORDER FOR HEARING

At a regular session of the Securities and Exchange Commission, held at its office in the City of Washington, D. C., on the 3d day of July, A. D. 1941.

I

Cities Service Company having filed notification of registration as a holding company under the Public Utility Holding Company Act of 1935 on January 29, 1941; and

It appearing to the Commission that:

(1) Cities Service Company is a corporation organized under the laws of the State of Delaware and maintains principal offices for the doing of business in the City of New York, State of New York.

(2) Empire Gas and Fuel Company is a subsidiary holding company of Cities Service Company whose capitalization and surplus as of December 31, 1940, were as follows:

Long term debt:	
Note payable, 2% secured, due annually $300,000 in 1942, $1,200,000 in 1943 and 1944 and $2,000,000 in 1945	$4,700,000
Indebtedness to Cities Service Co. due on demand	34,250,000
Capital stock:	
Preferred stock:	
8% cumulative $100 par	13,253,637
7% cumulative $100 par	30,506,600
6½% cumulative $100 par	3,400,000
6% cumulative $100 par	7,264,500
Common:	
750,000 shares no par	37,405,357
Surplus:	
Capital surplus	5,528,874
Earned surplus	3,036,691
Total	139,345,659

(3) The foregoing statement of capitalization and surplus does not reflect undeclared cumulative dividends arrears since June 1, 1932 as follows:

Class	*Dividends in arrears*	
	Per share	*Aggregate*
8% Cumulative	$68.66	$9,100,831
7% Cumulative	60.08	18,329,382
6½% Cumulative	55.79	1,896,917
6% Cumulative	51.50	3,741,217
Total		$33,068,347

(4) As of December 31, 1940 Cities Service Company owned, in addition to the $34,250,000 demand indebtedness shown above, the following securities of Empire Gas and Fuel Company:

Title of issue	*Amount owned*	*Percent of class*
8% cumulative pfd. stock	85,524	64.53
7% cumulative pfd. stock	235,885	77.32
6½% cumulative pfd. stock	27,397	80.58
6% cumulative pfd. stock	48,746	67.10
Common stock	750,000	100

(5) The preferred stock of Empire Gas and Fuel Company has first preference as to the assets and dividends and has equal voting power with the common stock on default of two years dividends. No dividends on such preferred stock have been declared or paid since June 1, 1932. The balance of such preferred stock not owned by Cities Service Company is held by public investors; and

II

The Commission having reason to believe that:

(6) Between June 1, 1932 and June 30, 1941 Cities Service Company has made loans and advances to and has acquired securities of Empire Gas and Fuel Company.

(7) Between June 1, 1932 and date hereof, Empire Gas and Fuel Company has retired or redeemed certain of such loans, advances and securities held by Cities Service Company and, unless prevented by order of the Commission, will retire and redeem the loans, advances or securities now held by Cities Service Company.

(8) The redemption or retirement by Empire Gas and Fuel Company of the loans, advances or securities of that company held by Cities Service Company or the payment of interest thereon may jeopardize the financial integrity of Empire Gas and Fuel Company and may be detrimental to the public interest or the interest of investors or consumers.

(9) That it may be necessary that the Commission issue an order prohibiting payment to Cities Service Company by Empire Gas and Fuel Company of principal or interest on loans, advances or securities held by Cities Service Company or dividends on preferred stock of Empire Gas and Fuel Company so long as preferred stock of Empire Gas and Fuel Company held by public investors is in arrears on dividends.

It appearing to the Commission in the light of the foregoing that it is appropriate and in the public interest and the interest of investors and consumers to institute proceedings against Empire Gas and Fuel Company and Cities Service Company under sections 12 (c) and 12 (f) of the Act in order to determine what orders, if any, should be entered.

Wherefore, it is ordered, That the said Empire Gas and Fuel Company and Cities Service Company, each of which are made respondents herein, file with the Secretary of the Commission on or before August 2, 1941, their joint or several answers admitting, denying, or otherwise pleading to the allegations of paragraphs 1 to 9 inclusive, above, including a statement as to whether the order specified in paragraph (9) should be issued.

It is further ordered, That a hearing on such matters under the applicable provisions of the Act and rules thereunder be held on August 19, 1941, at 10:00 A. M. at the offices of the Securities and Exchange Commission, 1778 Pennsylvania Avenue NW., Washington, D. C. On such day the hearing room clerk in room 1102 will advise as to the room where such hearing will be held.

It is further ordered, That Richard Townsend or any other officer or officers of the Commission designated by it for that purpose shall preside at the hearing in such matters. The officer so designated to preside at such hearing is hereby authorized to exercise all powers granted to the Commission under section 18 (c) of said Act and to a Trial Examiner under the Commission's Rules of Practice.

It is further ordered, That without limiting the scope of issues presented by this notice and order of hearing particular attention will be directed at the hearing to the following matters and questions:

(1) All inter company investments, transactions, dealings and relationships between or among Cities Service Company and Empire Gas and Fuel Company and subsidiaries thereof, including the origin and history of all indebtedness stated to be owing by any of such companies to Cities Service Company.

(2) Any and all acquisitions by Cities Service Company of securities of Empire Gas and Fuel Company and subsidiaries thereof.

(3) Any and all payments of dividends, interest or principal on loans or advances and any other payments to Cities Service Company by Empire Gas and Fuel Company and any of its subsidiary companies.

(4) The failure of Empire Gas and Fuel Company to declare or pay dividends on its preferred stocks and the income and surplus of such company available for the declaration and payment of such dividends.

(5) Interlocking officers and directors as between Cities Service Company and Empire Gas and Fuel Company and subsidiary companies thereof.

Notice of such hearing is hereby given to Empire Gas and Fuel Company and Cities Service Company and to any other person whose participation in such proceeding may be in the public interest or for the protection of investors or consumers. It is requested that any person desiring to be heard or to be admitted as a party to such proceeding shall file a notice to that effect with the Commission on or before August 2, 1941.

By the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

[F. R. Doc. 41-4855; Filed, July 8, 1941; 11:50 a. m.]

[File No. 70-345]

IN THE MATTER OF EASTERN SHORE PUBLIC SERVICE COMPANY (DEL.), VIRGINIA PUBLIC SERVICE COMPANY, AND YORK RAILWAYS COMPANY

NOTICE REGARDING FILING

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 7th day of July, A. D. 1941.

Notice is hereby given that declarations or applications (or both) have been filed with this Commission pursuant to the Public Utility Holding Company Act of 1935 by the above-named parties; and

Notice is further given that any interested person may, not later than July 12, 1941 at 1:15 o'clock P. M., E. S. T., request the Commission in writing that a hearing be held on such matter, stating the reasons for such request and the nature of his interest, or may request that he be notified if the Commission should order a hearing thereon. At any time thereafter such declarations or applications, as filed or as amended, may become effective or may be granted, as provided in Rule U-23 of the Rules and Regulations promulgated pursuant to said Act, or the Commission may exempt such transaction as provided in Rules U-20 (a) and U-100 thereof. Any such request should be addressed: Secretary, Securities and Exchange Commission, Washington, D. C.

All interested persons are referred to said declarations or applications, which are on file in the office of said Commission, for a statement of the transactions therein proposed, which are summarized below:

For the purpose of realizing economies in the payment of excess profits taxes, Eastern Shore Public Service Company (Del.), Virginia Public Service Company, and York Railways Company each severally proposes to file a consolidated excess profits tax return for the year 1940 for itself and certain affiliated companies constituting an "affiliated group of corporations" under section 730 (d) of the Internal Revenue Code as amended. Applicable regulations of the Commissioner of Internal Revenue provide that each company participating in the consolidated tax return shall be severally liable for the tax; and such consolidated returns, if filed for the year 1940, must be filed for each subsequent taxable year as long as the group remains in existence. The declarants severally propose to execute agreements with the respective companies involved whereby no company other than the common parent may be subect to any greater liability by reason of participation in such consolidated return than it would have incurred if it had filed a separate return for any such period.

The companies in the Eastern Shore Public Service Company (Del.), group are: The Eastern Shore Public Service Company of Maryland, Eastern Shore Public Service Company of Virginia, The Maryland Light and Power Company, and The Delaware Power Company.

The companies in the Virginia Public Service Company group are: Citizens Rapid Transit Corporation, The Hampton Towing Corporation, The Harpers Ferry Paper Company, Middle Virginia Power Company, Newport News Distilled Ice Company, Virginia Northern Ice Corporation, and Virginia Public Service Generating Company.

The companies in the York Railways Company group are: Edison Light and Power Company, York Steam Heating Company, and York Bus Company.

All companies involved are subsidiaries of registered holding companies.

By the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

[F. R. Doc. 41-4856; Filed, July 8, 1941; 11:50 a. m.]

NOTICE OF HEARING WITH RESPECT TO THE HOLDING COMPANY SYSTEM OF CITIES SERVICE COMPANY

Notice is hereby given that the Securities and Exchange Commission adopted an order on the 3rd day of July 1941 directing that a hearing pursuant to section 11 (b) (1) of the Public Utility Holding Company Act of 1935 be held with respect to Cities Service Company and each of its subsidiary companies at the offices of the Securities and Exchange Commission, 1778 Pennsylvania Avenue NW., Washington, D. C., at 10 A. M. on the 18th day of August, 1941.

Said order recites that it appears to the Commission that the holding company system of Cities Service Company is not confined in its operations to those of an integrated public utility system or systems and such other businesses as are necessary or appropriate in the public interest or for the protection of investors or consumers and not detrimental to the proper functioning of such integrated system or systems.

Said order provides that each respondent shall file its answer to the allegations of said order on or before the 2nd day of August, 1941 stating to what extent, if any, it is necessary or appropriate in the public interest or for the protection of investors or consumers and not detrimental to the proper functioning of any integrated public utility system or systems which Cities Service Company controls, that Cities Service Company shall retain an interest in certain non-utility subsidiaries which such order alleges are not incidental or economically necessary or appropriate to the operations of any one or more of the public utility subsidiaries of Cities Service Company.

Said order further provides that the purpose of such hearing is to permit respondents to be heard as to the issues in such proceeding, and that at such hearing the Commission will consider the simplification of the issues, the facts and issues that appear to be without substantial basis of controversy, the order of presentation of evidence most conducive to an orderly proceeding, the naming of a trial examiner for the purpose of receiving evidence, and such other matters as may aid in the disposition of the proceeding.

Reference is made to said notice of and order for hearing [1] for a more complete statement of the various matters to be determined at said hearing and a copy of said notice of and order for hearing is on file and open to public inspection at the office of said Securities and Exchange Commission in Washington, D. C., and a copy of said notice of and order for hearing may be had upon written request to the Secretary of said Commission, and said notice of and order for hearing is hereby made a part of this notice as if more fully herein set forth at length.

Notice of said hearing is particularly given to each of the aforesaid respondents, Cities Service Company, and to Arkansas Natural Gas Corporation, Arkansas Fuel Oil Company, Arkansas Pipeline Corporation, Arkana Transit Company, Orange State Oil Company, The Penn Wyo. Trust, The Atlantic Oil Company, The Phebus Oil Company, The Columbus Oil Company, Arkansas Louisiana Gas Company, Libson Gasoline Company, Inc., Transark Oil & Gas Company, Brightman Manufacturing Company, Cities Service Oil Company (Pennsylvania), Cia Petrolera del Agwi, Crew Levick Company, Forward Process Company, Mexican Atlas Petroleum Company, Swiflite Aircraft Corporation, Empire Gas and Fuel Company, American Pipeline Company, Cities Service Gas Company, Cities Service Oil Company (Delaware), Empire Pipeline Company, Kaw Pipeline Company, Wilbarger Water Company, Empire Oil and Refining Company, Indian Territory Illuminating Oil Company, The Texas-Empire Pipeline Company, Texas-Empire Pipeline Company of Texas, Texas-New Mexico Pipeline Company, The Gas Service Company, Gulf Coast Corporation, Kansas City Gas Company, Mexico-Eastern Oil Company, Mexico-Texas Petrolene and Asphalt Company, Natural Gas Pipeline Company of America, Ozark Utilities Company, Penn-York Natural Gas Corporation, Quadrangle Gas Company, Republic Light, Heat and Power Company, Inc., Richfield Oil Corporation, Sabino-Gordo Petroleum Corporation, Southern Fuel & Refining Company, Tampico Texas Petroleum Corporation, Texoma Natural Gas Company, Tri-City Gas Company, The Wyandotte County Gas Company, Alliance Public Service Company, Stark Transit, Inc., The Electric Building Company, Benton County Utilities Corporation, Citizens Gas Fuel Company, City Light & Traction Company, The Community Traction Company, The Maumee Valley Transportation Company, The Danbury and

[1] Filed as part of the original document.

Bethel Gas and Electric Light Company, The Doniphan County Light & Power Company, Durham Public Service Company, East Tennessee Light & Power Company, The Empire District Electric Company, Federal Light & Traction Company, Albuquerque Gas and Electric Company, Central Arkansas Public Service Corporation, Citizens Electric Company, Consumers Gas Company, Hot Springs Street Railway Company, Hot Springs Water Company, Deming Ice and Electric Company, The Electric Land Company, Federal Realty Company, The Las Vegas Light and Power Company, New Brunswick Power Company, New Mexico Power Company, Olympic Public Service Company, Rawlins Electric Company, Sheridan County Electric Company, Springfield Gas and Electric Company, Stonewall Electric Company, The Trinidad Electric Transmission, Railway and Gas Company, The Tucson Gas, Electric Light and Power Company, Tucson Rapid Transit Company, Twin City Transit Company, The Knoxville Gas Company, The Lake Shore Coach Company, Lawrence County Water, Light & Cold Storage Company, The Ohio Public Service Company, Public Service Company of Colorado, The Arvada Electric Company, Cheyenne Light, Fuel and Power Company, Colorado Interstate Gas Company, Colorado-Wyoming Gas Company, East Boulder Ditch Company, The Eastern Colorado Power and Irrigation Company, Green and Clear Lakes Company, The Hillcrest Ditch and Reservoir Company, St. Joseph Railway, Light, Heat & Power Company, Spokane Gas & Fuel Company, The Toledo Edison Company, The Toledo & Indiana Realty Company, Cia de Gas y Combustible "Imperio", S. A., Cia de Terrenos Petroliferos "Imperio", S. A., Cities Service Oil Company of Argentina, S. A. C. el, Cities Service Oil Company (France), Cities Service Oil Company, Limited (Ontario), Consolidated Cities, Light, Power & Traction Company, Dominion Natural Gas Company, Limited, United Fuel Investments, Ltd., Hamilton By-Products Coke Ovens, Ltd., United Gas and Fuel Company of Hamilton, Ltd., The Wentworth Gas Company, Ltd., The United Suburban Gas Company, Ltd., The Empire Pipeline Company of Mexico, S. A., The Manufacturers Natural Gas Company, Ltd., Chesebrough Building Company, No. 8 State Street Realty Corporation, South Ferry Realty Company, Inc., and Sixty Wall Street, Sixty Wall Tower, Inc., and to all other persons including the security holders of the said respondents, all States, municipalities, and political subdivisions of States within which are located any utility assets owned or operated by any of said respondents, and all State Commissions, State securities commissions and all agencies, authorities or instrumentalities of one or more States, municipalities or other political subdivisions having jurisdiction over any of the respondents or over any of the businesses, affairs or operations of any of them.

Said order further provides that any person proposing to intervene in said proceedings shall file with the Secretary of the Securities and Exchange Commission on or before the 2d day of August, 1941, his request or application therefor as provided by Rule XVII of the Rules of Practice of the said Securities and Exchange Commission, and may, together with such request or application, file a proposed answer in form and content as hereinbefore provided, and which answer shall be deemed effectively filed upon the entry of an order by the Commission granting such request or application.

By order of the Securities and Exchange Commission this 3d day of July 1941.

[SEAL] FRANCIS P. BRASSOR,
Secretary.

[F. R. Doc. 41-4857; Filed, July 8, 1941; 11:50 a. m.]